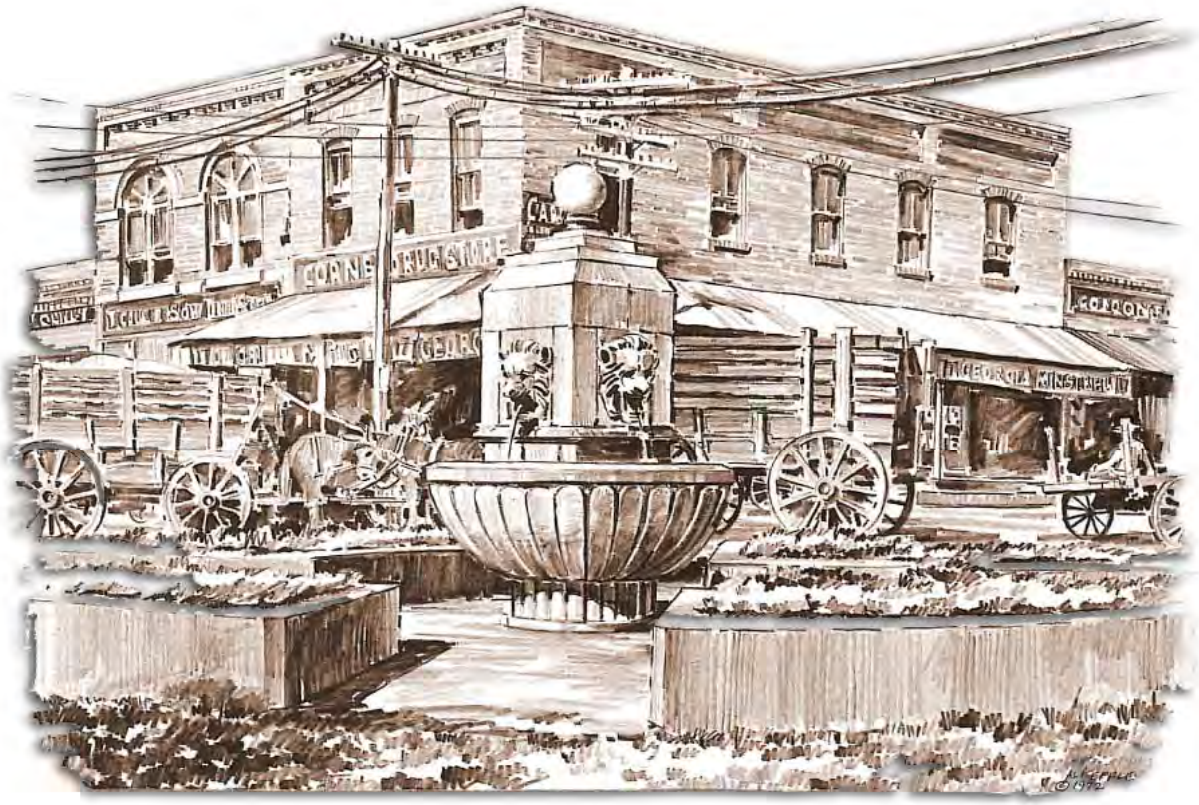
130th ANNIVERSARY

City of Arlington, Texas



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended September 30, 2007

CITY OF ARLINGTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED

SEPTEMBER 30, 2007

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of the Financial Services Department:

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ARLINGTON

CITY OF ARLINGTON, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007
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ARLINGTON

February 29, 2008

To The Honorable Mayor Cluck,
Members of the City Council,
City Manager,
And Citizens of the City of Arlington, Texas

The Comprehensive Annual Financial Report (the Report) of the City of Arlington, Texas (the City) for the fiscal year ended September 30, 2007, is submitted for your information and review. State Law requires that every local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement.

Management assumes full responsibility for the accuracy, completeness and reliability of the presented data, based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatements.

As a recipient of federal, state and local awards, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by management, the internal audit staff of the City and the City's auditors.

Deloitte & Touche LLP have issued an unqualified ("clean") opinion on the City of Arlington's financial statements for the year ended September 30, 2007. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City, incorporated in 1884, is located at the center of the Dallas - Fort Worth Metroplex, equidistant between Dallas and Fort Worth and is 8 miles south of the Dallas / Fort Worth International Airport. As a result of its unique location, Arlington enjoys strong commercial/industrial and population growth. The City currently has a land area of 99.5 square miles and an estimated population of 364,300. The City is empowered to levy a property tax on both real and personal property within its boundaries, as well as a sales and use tax on the sale of items at retail within the City.

The City operates under the council-manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Currently three Council members and the Mayor are elected "at Large" and five Council members are elected

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for terms of two years, with an election being held each year for approximately half the seats. The Council elects a Mayor Pro Tem from among its members.

The City Manager, appointed by the City Council, is the administrative head of the municipal government and carries out the policies of the City Council. With the assistance of four Deputy City Managers, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents.

The City Council also appoints members to certain boards, commissions, and authorities, as it deems necessary for the operation of the City.

The City provides a full range of municipal services including police and fire protection; water and wastewater utility services; the construction and maintenance of highways, streets and infrastructure; recreational activities and cultural events.

The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of Arlington, as legally defined), as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable.

Blended component units, although legally separate entities, are in substance part of the primary government's operations and are included as part of the primary government. Accordingly, the financial statements of the Arlington Property Finance Authority, Inc. are "blended" with those of the City. Discretely presented component units are reported separately in the financial statements to emphasize that they are legally separate from the primary government. The Arlington Sports Facilities Development Authority, Inc., Arlington Housing Authority, Arlington Housing Finance Corporation, Arlington Industrial Development Corporation, and Arlington Convention and Visitors Bureau, Inc. are reported as discretely presented component units.

The City Council is required to adopt a final budget no later than the close of the fiscal year. This annual budget serves as the foundation for the City's financial planning and control. The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the general fund, certain special revenue funds, debt service fund, and proprietary funds are included in the annual appropriated budget. Project-length budgets are prepared for capital project funds. The legal level of budgetary control is at the fund level. The government also maintains an encumbrance accounting system as one method of maintaining budgetary control. Encumbrances are treated as a reservation of fund balance.

Local Economy

Major companies located within the City's boundaries include General Motors, Bell Helicopter, National SemiConductor and Siemens Dematic Postal Automation. The City also has one of the area's largest planned industrial developments, the Great Southwest Industrial District, a 2800 acre industrial park located largely in Arlington. Approximately 1,500 firms are located in the Great Southwest Industrial District, over 900 of which are within the City.

The City is outperforming other area cities in terms of employment. Unemployment in Arlington is 4.2 percent, down .3 percent from the same period last year. Arlington's current unemployment rate of 4.2 percent is 1.1 percent higher than the unemployment rate of 3.1 percent ten years ago. During this ten year period, unemployment reached a low of 2.8 percent in December 1998 and a high of 7.1 percent in June 2003.

The City has been experiencing job growth as well. In March 2007, Arlington had the largest net job growth in the past four years.

The City, however, continues to face challenges, particularly with sales tax growth, due to the fact that the fastest growing demographic is low to moderate income households. These households typically have less disposable income. Occupancy rates for commercial real estate are varied. Office buildings are experiencing a 13.9 percent vacancy rate, and the vacancy rate for industrial facilities ranges from 9.0 to 13.4 percent, depending upon the submarket. Additionally, for the last few quarters, the City has been experiencing a decline in the number of building permits for new residential construction as well as a decline in the value of those permits. The number of permits for commercial construction have increased, however the value of this construction has declined for the year ended September 30, 2007.

The following chart shows the value and number of building permits issued by category for each of the past three years.

	2007		2006		2005	
Classification	Value (000's)	Number	Value (000's)	Number	Value (000's)	Number
Residential	$126,286	829	$176,935	1,115	$197,496	3,112
Multifamily	19,029	3	11,602	35	12,731	25
Commercial	55,483	127	161,885	77	56,896	167
Other	67,963	2,276	176,476	2,959	66,103	2,404
Total	$268,761	3,235	$526,898	4,186	$333,226	5,708

Long-term Financial Planning

As part of the budgeting process, the City prepares a multi-year financial forecast. Over the past few years, the forecast has revealed significant deficits. This has occurred in large part due to recurring revenues that have not grown at a pace equal to support the growth in recurring expenditures. By reducing and aligning expenditures to better fit revenue growth, coupled with slight economic growth, the current forecast projects smaller deficits. While the City may never see the dramatic growth experienced in the 1990s, slow progress is expected to continue. The multi-year financial forecast assumes the continuation of existing services, competitive pay and benefits for the City's workforce and moderate growth in primary revenue sources. The City expects to continue to improve the outlook with ongoing focus on improving service delivery, expanding neighborhood and community partnerships. Major planned expansions in retail, entertainment and healthcare industries will further enhance Arlington's existing economic base.

Relevant Financial Policies

For 2007, the City received approximately $25.5 million in gas lease revenues. These funds will be used for improvements around the City and for a neighborhood matching grant program.

General Fund balance designated for working capital meets the criteria established by the financial policy adopted by Council at one-twelfth of budgeted expenditures as does General Fund balance designated for subsequent years' expenditures which is set at 3% of budgeted expenditures.

Major Initiatives

During the year ended September 30, 2007, the City entered into various oil & gas leases. The leases grant exclusive rights to explore, drill, produce and market oil and gas from designated City property. The leases range in duration from 12 to 18 months and provide for an upfront lease bonus along with future royalty payments which are based on oil and gas production. The Arlington Tomorrow Foundation has been formed by the Arlington City Council to oversee an endowment fund created from natural gas revenues.

In November of 2004, voters authorized the City to provide planning, acquisition, construction and financing for the Dallas Cowboys Complex Development Project. In accordance, with the funding and closing agreement, the City will pay up to $325 million for the project. As of September 2007, the stadium structure was approximately 50 percent complete. The Cowboys Stadium is anticipated to be completed by the summer of 2009. The Cowboys will play their first season in Arlington in the fall of 2009. Super Bowl XLV will be played in Arlington in 2011, which will bring enormous economic impact and worldwide prestige to the North Texas region. In addition to the Super Bowl, in February 2007 it was announced the 71 year old AT&T Cotton Bowl Classic will be moved to the new stadium beginning on New Year's Day of 2010.

Related to the Cowboys Complex Development Project, approximately $4 million in roadway improvements are scheduled for the City's Entertainment District. Baird Farm Road is scheduled to become a six-lane divided boulevard, improving travel through the Entertainment District, and connecting the entertainment attractions north of Interstate-30 with the venues south of the interstate. A new Baird Farm Road Bridge will have entrance and exit ramps and pedestrian friendly walkways. The extension of Baird Farm Road also includes the reconstruction of Copeland Road and the construction of approximately 1,100 parking lot spaces on a 9.8 acre site bound by Pennant on the west and Nolan Ryan Expressway on the east.

Pleasant Ridge Road between Kelly Elliott Road and Bowen Road is scheduled to become a four-lane divided boulevard. Park Springs Boulevard between Pleasant Ridge Road and Interstate-20 will become a four-lane divided boulevard. Pleasant Ridge Road and Park Springs Boulevard are currently two-lane, country-type roads. The $9.1 million project also includes bridge and drainage improvements, new landscaping, street lights and pavement markings. In addition, an eight-foot wide hike and bike trail will be constructed on the south side of Pleasant Ridge Road between Park Springs Boulevard and Rush Creek. This project is scheduled for completion in October 2008.

The City is planning to develop a Founders Plaza on the block south of City Hall. The park will include a spacious lawn, an interactive water fountain, public art and the Levitt Pavilion. The Mortimer Levitt Foundation awarded Arlington a $250,000 grant to aid in construction of the pavilion and will also provide $100,000 annually for five years to be used for programming. A capital fundraising campaign is underway to complete the funds to build the Levitt Pavilion with a goal to present the first free concerts in the fall of 2008.

The site of the Forum 303 mall is the subject of a major revitalization project. The 72-acre mall was demolished to pave the way for new development. The Pioneer Business Park project is expected to create approximately 350 new jobs.

In June 2007, the City Council approved the final Glorypark Ordinance. Glorypark is a mixed-use project located in the area surrounding the Texas Rangers stadium, the development will include office, hotel retail, and residential space. A Tax Increment Reinvestment Zone and a Public Improvement district has been established within the area to facilitate private investment and encourage the highest and best use of land within the district. Glorypark will generate stable year net annual revenue of $4.3 million, and 1,900 jobs are projected to be filled by Arlington residents. The Dallas Business Journal named the project "Best Announced Deal of 2006".

Certificate of Achievement

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its comprehensive annual financial report (CAFR) for the year ended September 30, 2006. This was the twenty-ninth year that the City has received this prestigious award. In order to be awarded the Certificate of Achievement, the City published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine is eligibility for another certificate.

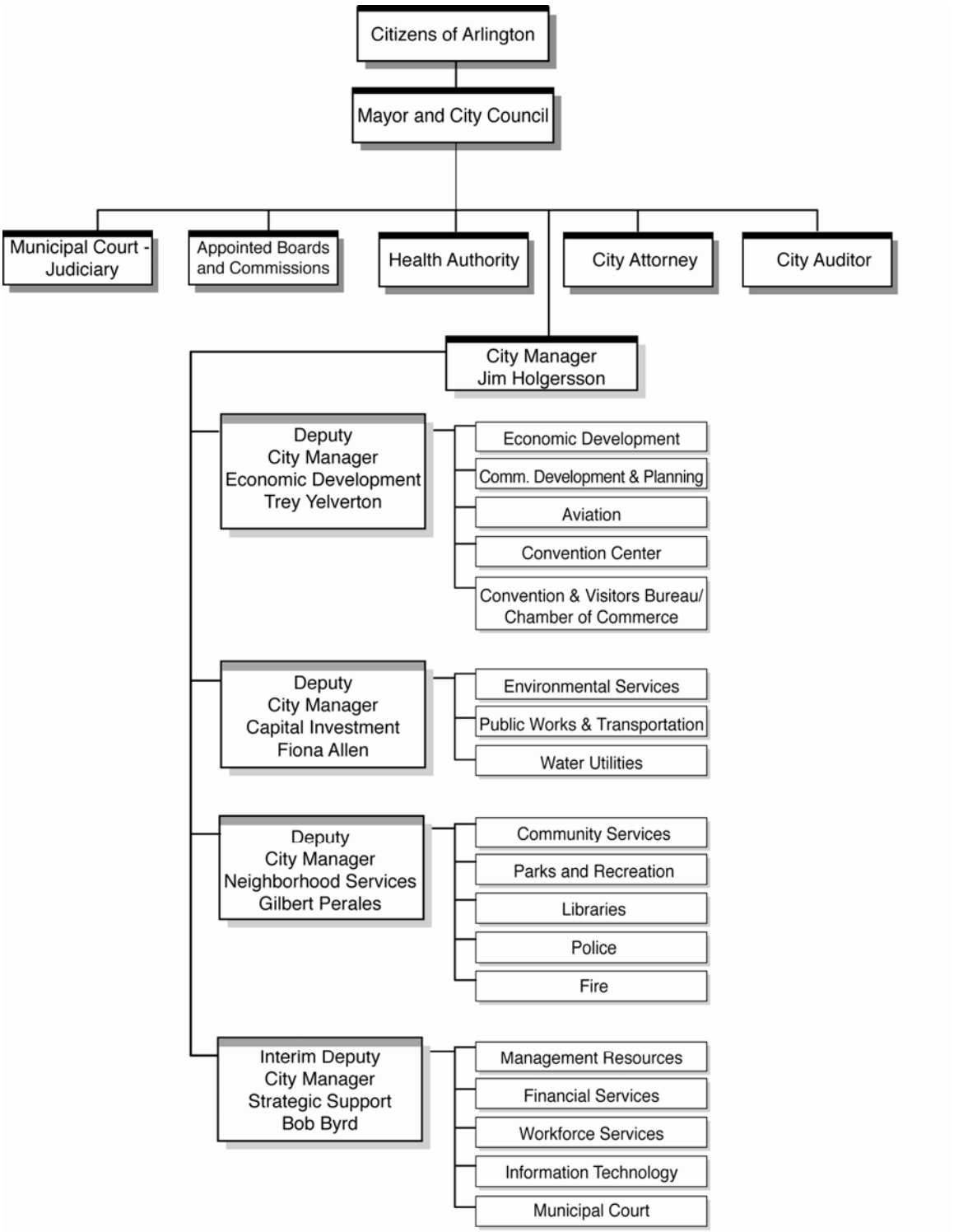
Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance Department. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. I would also like to thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner and City Management for its continued support and assistance.

Respectfully submitted,

Anna Mosqueda

Anna Mosqueda
Director of Financial Services


Citizens of Arlington
Mayor and City Council
Municipal Court - Judiciary
Appointed Boards and Commissions
Health Authority
City Attorney
City Auditor
City Manager Jim Holgersson
Deputy City Manager Economic Development Trey Yelverton
Economic Development
Comm. Development & Planning
Aviation
Convention Center
Convention & Visitors Bureau/ Chamber of Commerce
Deputy City Manager Capital Investment Fiona Allen
Environmental Services
Public Works & Transportation
Water Utilities
Deputy City Manager Neighborhood Services Gilbert Perales
Community Services
Parks and Recreation
Libraries
Police
Fire
Interim Deputy City Manager Strategic Support Bob Byrd
Management Resources
Financial Services
Workforce Services
Information Technology
Municipal Court

Rev. 8.07

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Arlington
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City of Arlington, Texas

City Council

Robert Cluck
Mayor
Term expires May 2009

Ron Wright, District 7 At Large
Mayor Pro Tem
Term expires May 2008

Mel LeBlanc, District 1
Term expires May 2008

Sheri Capehart, District 2
Term expires May 2008

Robert Rivera, District 3
Term expires May 2009

Kathryn Wilemon, District 4
Term expires May 2009

Lana Wolff, District 5
Term expires May 2009

Steve McCollum, District 6 At Large
Deputy Mayor Pro Tem
Term expires May 2008

Gene Patrick, District 8 At Large
Term expires May 2009

City Manager
Jim Holgersson

Chief Financial Officer
Anna Mosqueda

Deloitte.

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council
City of Arlington, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2007, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City of Arlington's management. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority or the Arlington Convention and Visitors Bureau, Inc., which statements reflect total assets constituting 20.35% and 0.59%, respectively, of total component unit assets as of September 30, 2007 and total program revenues constituting 79.75% and 11.30%, respectively, of total component unit program revenues for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Arlington Housing Authority and Arlington Convention and Visitors Bureau, Inc. is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States of America. The financial statements of the Arlington Visitors and Convention Bureau, Inc. were not audited in accordance with *Government Auditing Standards.* Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Member of
Deloitte Touche Tohmatsu

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison statement for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Schedule of Funding Progress – TMRS, the Schedule of Funding Progress – Part Time Deferred Income Trust, and the Schedule of Funding Progress – Disability Income Plan are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of the City of Arlington's management. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the respective financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information and schedules are the responsibility of the City of Arlington's management. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion based on our audit and reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. This additional information is the responsibility of the City of Arlington's management. Such additional information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2008, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

February 29, 2008

CITY OF ARLINGTON, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

SEPTEMBER 30, 2007

This discussion and analysis of the City of Arlington's financial performance provides an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2007. It should be read in conjunction with the accompanying letter of transmittal and the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The City of Arlington's net assets of governmental activities increased by $172.2 million or 28.5 percent this year, primarily because of an increase in funding construction in progress of approximately $229.4 million. The increase in construction in progress is attributable to the ongoing construction of the Dallas Cowboys Complex Development Project (Complex Project). This year, the city recorded an increase in construction costs of $230.7 million which includes $113.4 million in contributions from the Cowboys Stadium, L.P.

- The City's increase in total net assets of $187.1 million for the year ended September 30, 2007 was $38.3 million higher than the increase of $148.8 million for the year ended September 30, 2006. This $38.3 million increase is primarily attributable to the $113.4 million in construction contributions for the Complex Project from the Cowboys Stadium, L.P compared to $70.2 million in 2006.

- As of September 30, 2007, the City of Arlington's governmental funds reported combined ending fund balances of $316.6 million, a decrease of $95.0 million in comparison with the prior fiscal year. The majority of this change is due to an increase in the Stadium Venue Fund's capital outlay (net of the Cowboys Stadium, L.P. contribution) of $73.9 million and an increase in the Streets Capital Projects net outlay of $20.7 million.

- At the end of the current fiscal year, unreserved General Fund balance was $52.9 million compared to $60.9 million last year. Last year, $24.7 million of unreserved fund balance was designated for future needs such as working capital requirements and subsequent years' expenditures. Additionally, $20.6 million of fund balance was designated for future initiatives, leaving $10.6 million as unreserved, undesignated fund balance. This year, $25.2 of unreserved fund balance was designated for future needs and $21.0 million of landfill proceeds was designated for one-time special projects. A new designation for future infrastructure needs of $1.0 million was approved, leaving $5.6 million as undesignated and unreserved.

- The City entered into several gas leases for various City-owned properties this year. Gas lease revenue for the year ended September 30, 2007 amounted to $25.5 million compared to $5.0 million last year. A substantial portion of the gas lease revenue will be used for the creation of an endowment fund to be used for the benefit of the Arlington community.

- The City's total debt of $648.0 million has increased $1.7 million during the fiscal year. This year, the City issued $12 million of short-term commercial paper, and $24 million of Water and Wastewater System Revenue, while paying down $34.3 million on existing obligations. Of the total debt, $549.4 million relates to the operation of the general government and $98.6 million relates to water and wastewater activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis serves as an introduction to the City of Arlington's basic financial statements. The City of Arlington's basic financial statements are comprised of four components: government-wide financial statements, fund financial statements, notes to the financial statements and required supplementary information. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Arlington's finances, in a manner similar to a private-sector business. The Statement of Net Assets presents information on all of the City of Arlington's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Arlington is improving or deteriorating. The Statement of Net Assets combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm and sewer lines, etc.), to assess the overall health or financial condition of the City. The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave). Both the Statement of Net Assets and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Assets and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental Activities – Most of the City's basic services are reported here, including police, fire, libraries, planning and development, public works and transportation, parks and recreation, and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.

- Business-type Activities – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system is reported here.

- Component Units – The City includes one blended component unit in its report – Arlington Property Finance Authority, Inc. The City includes five discretely presented component units in its report – Arlington Sports Facilities Development Authority, Inc., Arlington Housing Authority, Arlington Convention and Visitors

Bureau, Arlington Housing Finance Corporation and Arlington Industrial Corporation. Although legally separate, these component units are important because the City is financially accountable for them.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds - governmental and proprietary – utilize different accounting approaches.

- Governmental funds – The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

  The City of Arlington maintains twenty-four individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, Gas Lease Fund, Streets Capital Projects Fund and the Stadium Venue Fund, all of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

- Proprietary funds – The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information such as cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's general

services, the City's self-insurance funds and fleet maintenance functions. Because these services benefit both governmental as well as business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

Currently, the City maintains one individual enterprise fund. The City uses this enterprise fund to account for its water and sewer operations. The fund provides the same type of information as the government-wide financial statements, only in more detail and includes some of the internal service fund type activity. The proprietary fund financial statements provide separate information for the water and sewer, which is considered to be a major fund of the City.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for its Part-Time Deferred Income Trust, Thrift Savings Plan and Disability Income Plan, as well as certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. The activities of these funds are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees.

THE CITY AS A WHOLE – Government-wide Financial Analysis

The City's combined net assets were $1.2 billion as of September 30, 2007. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are $455.1 million. This analysis focuses on the net assets (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental and business-type activities.

By far the largest portion of the City's net assets (87.3 percent) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Summary of Net Assets
(Amounts Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	$ 415	$ 481	$ 101	$ 86	$ 516	$ 567
Capital assets	994	755	469	451	1,463	1,206
Total assets	1,409	1,236	570	537	1,979	1,773
Long-term liabilities	547	570	92	76	639	646
Other liabilities	86	63	23	21	109	84
Total liabilities	633	633	115	97	748	730
Net assets:						
Invested in capital assets, net of related debt	646	510	429	409	1,075	919
Restricted	40	26	9	10	49	36
Unrestricted	90	67	17	21	107	88
Total net assets	$ 776	$ 603	$ 455	$ 440	$ 1,231	$ 1,043

Governmental Activities

The City's general revenues increased when compared to the prior year by 14.1 percent or $34.7 million. The primary reason for this increase is attributable to a $20.5 million increase in revenues from natural gas leases. The City entered into several gas leases during the year resulting in additional up-front gas lease bonuses. Sales tax revenue increased $3.3 million as a result of a mildly improving local economy. Property tax revenue increased $3.9 million due to increased property valuations and the addition of new property throughout the City. The assessed value of the property in the City increased by $649.8 million or 4.0 percent while the property tax rate of $0.6480 per $100 assessed valuation remained the same as in 2006. Interest income increased $2.3 million primarily due to higher interest rates. Other revenue increased by $6.2 million due to an increase in the market value of the City's investment portfolio over last year.

Table 2
General Revenues
(Amounts Expressed In Thousands)

	2007	2006	Increase (Decrease)
Property Taxes	$ 108,301	$ 104,425	$ 3,876
Sales Taxes	79,781	76,483	3,298
Other Taxes	9,249	8,319	930
Utility franchise fees	29,145	31,140	(1,995)
Gas Lease income	25,471	5,020	20,451
Interest income	21,849	19,513	2,336
Other revenue	7,348	1,176	6,172
Total general revenues	$ 281,144	$ 246,076	$ 35,068

Governmental and Business-type activities increased the City's net assets by $187.1 million for the year ended September 30, 2007 and $148.8 million for the year ended September 30, 2006. The key elements of these increases are as follows:

Table 3
Changes in Net Assets
(Amounts Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues:						
Charges for services	$39,320	$44,184	$ 88,786	$ 102,745	$ 128,106	$ 146,929
Operating grants and contributions	14,102	13,846	-	-	14,102	13,846
Capital grants and contributions	121,720	77,683	3,600	5,529	125,320	83,212
General Revenues:						
Taxes	197,331	189,227	-	-	197,331	189,227
Utility franchise fees	29,145	31,140	-	-	29,145	31,140
Gas Lease Income	25,471	5,020	-	-	25,471	5,020
Interest Income	21,849	19,513	1,685	-	23,534	19,513
Other	7,348	1,176	257	2,301	7,605	3,477
Total revenues	456,286	381,789	94,328	110,575	550,614	492,364
Expenses:						
General government	34,120	31,812	-	-	34,120	31,812
Public safety	113,343	102,363	-	-	113,343	102,363
Public works	73,161	66,019	-	-	73,161	66,019
Public health	1,735	1,697	-	-	1,735	1,697
Parks and recreation	26,826	27,761	-	-	26,826	27,761
Public welfare	11,136	9,408	-	-	11,136	9,408
Convention and event services	5,628	5,094	-	-	5,628	5,094
Interest and fiscal charges	24,581	24,923	-	-	24,581	24,923
Water and sewer	-	-	72,945	74,516	72,945	74,516
Total expenses	290,530	269,077	72,945	74,516	363,475	343,593
Increase in net assets before transfers	165,756	112,712	21,383	36,059	187,139	148,771
Transfers	6,520	6,432	(6,520)	(6,432)	-	-
Increase in net assets	172,276	119,144	14,863	29,627	187,139	148,771
Net Assets, October 1,	603,422	484,278	440,244	410,617	1,043,666	894,895
Net Assets, September 30	$ 775,698	$ 603,422	$ 455,107	$ 440,244	$ 1,230,805	$ 1,043,666

The most significant governmental expense for the City was in the area of public safety, which incurred expenses of $113.3 million, representing a $10.9 million increase when compared to the prior fiscal year. The major components of public safety are police and fire. Police accounted for $71.7 million in public safety expenses this year compared to $68.1 million last year, a 5.3 percent increase. Salary and benefits of $59.3 million comprised 82.7 percent of Police expenses for the year ended September 30, 2007 as compared to salary and benefit expenses of $56.0 million equaling 82.2 percent of last year's expenses. The increase in salary and benefit expenses is the result of general pay

increases. These expenses were offset by revenues collected from a variety of sources, with the largest amount coming from fines and forfeitures, which were $7.5 million for the fiscal year ending September 30, 2007, a slight decrease of $0.2 million over last year. Fire accounted for $38.4 million in public safety expenses this year, compared to $33.5 million last year, a 14.6% increase. A large portion of the increase is attributable to salary and benefits expenses. Salary and benefits of $29.4 million made up 76.6 percent of Fire expenses for the year ended September 30, 2007 compared to salary and benefit expenses of $28.1 million comprising 83.9 percent of last year's expenses. The balance of the increase is due to higher expenses for vehicle purchases and maintenance items, this year over last year.

Business-type Activities

Revenues of the City's business-type activities were $94.3 million for the fiscal year ending September 30, 2007. Revenues decreased by approximately $16.2 million or 14.7 percent. Expenses for the City's business-type activities were $79.5 million for the year, substantially unchanged when compared to last year's expenses of $80.1 million. The decrease in net revenues is due to a decrease in water sales as a result of a cooler, rainy summer this year.

The City's water and sewer system recorded charges for services of $88.8 million, a decrease of $13.9 million over last year, and a non-cash revenue source of $3.6 million of capital contributions that represent developer contributions. Developer contributions represent subdivision infrastructure, which upon completion, is contributed to the resources of the City. Excluding developer contributions, the water and sewer system charges for services of $88.8 million exceeded expenses of $71.9 million by $16.9 million. The most significant expenses of the water and sewer fund were $12.5 million to purchase water, $19.4 million for the purchase of sewage treatment and $12.9 million in salaries and benefits. Overall the City's water and sewer system's net revenues of $14.9 million (including developer contributions) for this year were 14.6 million, or 49.5 percent lower than last year's net revenue of $29.5 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year 2007, the City had $1.5 billion invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, and water and sewer lines. (See Table 4 below.) This amount represents a net increase (including additions and deductions) of $257.9 million or 21.4 percent over the prior fiscal year. The $257.9 million increase combines a $240.1 million increase in Governmental Activities with a $17.8 million increase in Business-type Activities. The increase in Governmental Activities is mostly due to $230.7 in capital outlay related to the Cowboys Stadium Complex Project. The increase in Business-type Activities is due to increased capital outlays for the water and sewer system. Footnote 4 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

Table 4
Capital Assets, net of Accumulated Depreciation
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 81,760	$ 80,600	$ 4,941	$ 4,828	$ 86,701	$ 85,428
Buildings and improvements	131,205	121,901	1,816	1,869	133,021	123,770
Equipment	23,607	17,645	165	287	23,772	17,932
Construction in progress	474,351	244,903	73,780	76,987	548,131	321,890
Infrastructure	283,625	289,373	-	-	283,625	289,373
Water and sewer system	-	-	388,133	367,059	388,133	367,059
Totals	$ 994,548	$ 754,422	$ 468,835	$ 451,030	$ 1,463,383	$ 1,205,452

Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of $3.6 million to the City's water, sewer, and drainage infrastructure in connection with various residential and commercial developments
- Capital outlay of $230.7 million for the Complex Project, funded in part by a $113.4 million contribution from the Cowboys Stadium, L.P.
- Water and sewer system capital improvements and expansion totaling $28.0 million
- A variety of storm drainage and street construction projects with capital outlay totaling $31.6 million
- Various capital outlays totaling $2.7 million for improvement of the City's parks and recreation facilities
- Various capital outlays of $5.2 million for police and fire public safety improvements

Debt

At year-end, the City had $634.0 million in General Obligation Bonds, Special Obligation Bonds, Revenue Bonds and Combination Tax and Revenue Certificates of Obligations outstanding, a decrease from last years' $644.3 million as shown in Table 5.

Table 5
Outstanding Debt
(Amounts Expressed In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds (backed by the City)	$ 208,536	$ 229,538	$ -	$ -	$ 208,536	$ 229,538
Combination tax and revenue certificates of obligation (backed by the City)	22,405	25,935	-	-	22,405	25,935
Commercial Paper	14,000	2,000			14,000	2,000
Special tax revenue bonds	304,478	304,855			304,478	304,855
Revenue bonds (backed by fee revenues)	-	-	98,562	84,014	98,562	84,014
Totals	$ 549,419	$ 562,328	$ 98,562	$ 84,014	$647,981	$ 646,342

During the current fiscal, the City issued $24.0 million in Water and Wastewater System revenue bonds for the purpose of improving and extending the water and wastewater system. Additionally, the City issued $12.0 million in short term commercial paper for interim funding of the general obligation debt. Footnote 7 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

The City has maintained its AA rating from Standard and Poor's Corporation, its AA rating from Fitch, Inc. and its Aa2 rating from Moodys Investor Services on its tax supported debt. The City also has an AA rating from Standard and Poor's Corporation, an Aa3 rating from Moodys Investor Service and an AA+ from Fitch, Inc. on its outstanding water and wastewater revenue bonds. The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to $2.50 per $100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 1.7 percent.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury and worker's compensation. Claims for worker's compensation over $300,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors. Claim liability was $9.6 million at September 30, 2007 compared to $10.4 million at September 30, 2006.

DALLAS COWBOYS COMPLEX DEVELOPMENT PROJECT

In February of 2005, the City, as landlord, and the Cowboys Stadium, L.P., as tenant, entered into a funding and closing agreement for the Dallas Cowboys Complex Development Project (Complex). Pursuant to the agreement, the City will pay half the cost, up to $325 million, to build the Complex. In July of 2005, the City issued $298.0 million Dallas Cowboy Complex Special Obligations, pledging ½ cent sales tax, two percent hotel occupancy tax and five percent car rental tax. The proceeds of the bond sale, along with interest earnings and excess revenues from the pledged taxes, will provide the City's funding for the Complex.

As part of the closing agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (tenant) for lease of the Complex. The lease calls for an initial term of 30 years, after the new stadium opens, at a rental rate of $2,000,000 per year and contains several renewal options. The lease also provides the tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the tenant capped at $500,000 per year.

In July of 2006, $147,865,000 of Dallas Cowboy Complex Admissions and Parking Tax Revenue Bonds, Taxable Series 2006 were issued with a pledge of a 10% admissions tax and a $3 parking tax for events held at the Cowboys Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium L.P. The proceeds of the bond sale, along with interest earnings, will provide a portion of the Cowboy's funding for the project. The bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources. The bonds do not constitute a debt or pledge of the faith and credit of the City and are not reported as a liability in the City's financial statements but are disclosed as conduit debt.

The City and the Dallas Cowboys Football Club, LTD. entered into a franchise agreement that requires the Dallas Cowboys NFL football franchise to remain in Arlington and to play all of the team's home games in the Complex for a minimum of 30 years after the stadium opens. If the lease renewal options are exercised, the Cowboys' obligation to stay in Arlington is extended for the renewal term.

THE CITY'S FUNDS

At the close of the City's fiscal year on September 30, 2007, the governmental funds of the City reported a combined fund balance of $316.6 million. This ending balance includes a decrease in fund balance of $5.8 million in the City's General Fund. This decrease is primarily attributable to the transfer of $5.0 million of prior year gas lease revenue to the newly created gas lease fund. In addition, these other changes in fund balances should be noted:

- The City's Debt Service fund balance of $34.2 million is $13.5 million higher from last year's fund balance of $20.6 million attributable to tax revenue exceeding debt service payments.

- The City recorded contribution in aid of construction for $113.4 million from the Cowboys Stadium, L.P. and expended $230.7 million for the Cowboys Stadium Complex Project, contributing to a net decrease in fund balance of $104.3 million in the Stadium Venue Fund. This fund was created to account for the construction for the Cowboys Stadium Complex Project and has an ending fund balance of $143.6 million.

- The City spent $28.5 million in capital outlay in the Street Capital Projects fund, up $10.5 million as compared to the same period in the prior year. The increase is due to a rise in the number of street projects undertaken during the year.

- The City created a new special revenue fund to account for gas lease proceeds. These proceeds will be used for improvements around the city, for a neighborhood matching grant program, and for the creation of an endowment fund to benefit the Arlington community. The fund balance is $29.6 million for the year ended September 30, 2007.

- The City's water and sewer fund net assets of $454.6 million increased by $14.9 million over the prior year net asset balance. The increase in net assets is primarily due to operating revenues exceeding operating expenses by $16.9 million.

General Fund Budgetary Highlights

During FY 2006-07, there were budget amendments for the General Fund. These amendments were in the amount of $466,000. The additional budgeted expenditures were to fund thirteen additional positions in Municipal Court and to install parking meters in downtown.

For FY 2006-07, actual expenditures on a budgetary basis were $190.5 million compared to the budget amount of $192.0 million. The $1.6 million positive variance was due to savings achieved through budgeted but vacant positions throughout various departments.

For FY 2006-07, actual revenues on a budgetary basis were $186.7 million, equal to the year's budgeted amount.

The City of Arlington has an actual on a budgetary basis General Fund balance of $65.7 million as of the fiscal year-end, compared to the budgeted fund balance of $63.9 million. The variance in fund balance is primarily due to various natural gas lease revenues.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2008 budget, tax rates, and fees that will be charged for the business-type activities. The City is starting to see an improving revenue picture, yet continues an ongoing diligent examination of expenditures. This combination supports an environment of cautious optimism for fiscal 2008. The City is experiencing some positive economic growth and the tax base is growing at a steady rate. Sales tax revenues have stabilized and are expected to increase 4 percent for fiscal 2008. Assessed property tax values continue to grow, but at a slower rate than previous years.

For the 2008 fiscal year, the City continues to face short-term budgetary challenges and has made an effort to identify areas where resources can be reallocated, not added. As a result, the City's total General Fund revenues for 2007-2008 are budgeted at $193.1 million, up 3.4% over the 2006-2007 period, while total General Fund expenditures are $194.9 million, up 1.7% for the same time period.

The General Fund's largest single revenue source for the General Fund is property taxes. This revenue represents 40.4 percent of the General Fund's budget. The property tax rate for FY 2008 is $0.6480 per $100 valuation, unchanged since 2004. Of this tax rate, 68.9 percent or $0.4467 is utilized for General Fund activities. The remaining 31.1 percent or $0.2013 is used for debt service. The General Fund's portion of property tax revenue for FY 2008 is estimated to be $78.0 million up $4.1 million or 5.3 percent compared to last year. The City's portion of the sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is received by the Street Maintenance Fund, and one-half cent provides for the debt service for the Complex Project debt. Sales tax revenue for the General Fund for fiscal year 2008 is estimated at $46.4 million, up $1.9 million or 4.3 percent over last year's budgeted figure.

The largest revenue sources for the Water and Sewer Fund is water sales at $52 million. This is the charge for potable water used by customers. The City maintains a rate structure designed to ensure that each category of service is self supporting. The rate structure incorporates conservation rates designed to encourage consumers to reduce the amount of water they use. Residential conservation rates for fiscal year 2008 range from $1.28 per 1,000 gallons for the first 2,000 gallons of consumption to $3.50 per 1,000 gallons for consumption greater than or equal to 16,000 gallons. The rate for fiscal year 2007 ranged from $1.32 per 1,000 gallons for the first 2,000 gallons of consumption to $3.00 per 1,000 gallons for consumption greater than or equal to 16,000 gallons. These rates incorporate the cost of raw water, treatment, distribution and maintenance costs. The second largest revenue source for the Water and Sewer Fund is wastewater treatment charges. The total revenue expected is $42.7 million based on a fiscal year 2008 rate of $2.65 per 1,000 gallons, $0.07 higher than last year's rate of $2.58 per 1,000 gallons. The total revenue for the Water and Sewer Fund is budgeted at $102.6 million for fiscal year 2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial Services Department, at the City of Arlington, 101 S. Mesquite St., Suite 800, Arlington, TX 76010.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 249,773	$ 12,231	$ 262,004	$ 11,193
Investments	2,790	-	2,790	14,770
Receivables (net of allowance for uncollectibles):				
Taxes	5,211	-	5,211	-
Sales taxes	14,393	-	14,393	-
Grants	-	-	-	468
Leases	-	-	-	18,391
Trade accounts	203	6,605	6,808	-
Franchise fees	6,028	-	6,028	-
Unbilled trade accounts	-	6,278	6,278	-
Special assessments	224	-	224	-
Accrued interest	3,671	-	3,671	26
Settlement agreement	-	-	-	10,999
Other	3,738	26	3,764	196
Internal balances	(523)	523	-	-
Due from component units	22	-	22	-
Due from other governments	3,501	-	3,501	-
Deferred charge - issuance costs	4,033	-	4,033	-
Inventory of supplies	890	444	1,334	5
Prepaid expenses	36	-	36	25
Restricted assets-				
Bond contingency-				
Investments	5,278	10,625	15,903	-
Accrued interest receivable	-	88	88	-
Capital construction-				
Investments	110,286	60,200	170,486	-
Assessments receivable	-	4	4	-
Meter deposits-				
Investments	-	4,725	4,725	-
Investment in				
Closure/Post-closure trust fund	4,511	-	4,511	-
Capital Assets-				
Land	81,760	4,941	86,701	-
Buildings and improvements	204,689	2,833	207,522	2,739
Water and sewer system	-	560,022	560,022	-
Machinery and equipment	61,981	9,896	71,877	1,304
Infrastructure	783,871	-	783,871	-
Construction in progress	474,351	73,780	548,131	-
Accumulated depreciation	(612,104)	(182,637)	(794,741)	(2,097)
Total Assets	$ 1,408,613	$ 570,584	$ 1,979,197	$ 58,019

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2007
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
LIABILITIES				
Accounts payable and accrued liabilities	$ 15,755	$ 4,837	$ 20,592	$ 1,662
Retainage payable	1,498	-	1,498	-
Due to primary government	-	-	-	22
Unearned revenue	21,621	-	21,621	648
Commercial Paper	14,000	-	14,000	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	2,785	2,785	-
Retainage payable	-	1,152	1,152	-
Accrued interest	1,446	1,528	2,974	-
Revenue bonds payable, current	-	2,743	2,743	-
Meter deposits	-	4,725	4,725	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	6,413	-	6,413	-
Sales tax payable	149	-	149	74
General obligation debt	23,400	-	23,400	-
Accrued compensated absences	1,276	113	1,389	-
Capital lease obligation	560	-	560	-
Revenue bonds	-	5,487	5,487	-
Due in more than one year:				
Arbitrage rebate	970	-	970	-
Estimated claims payable	3,179	-	3,179	-
Sales tax payable	634	-	634	313
Bonds payable	-	-	-	17,180
General obligation debt	214,029	-	214,029	-
Special tax revenue debt	297,990	-	297,990	-
Landfill closure accrued liabilities	4,511	-	4,511	-
Accrued compensated absences	24,317	1,775	26,092	-
Capital lease obligation	1,167	-	1,167	-
Revenue bonds	-	90,332	90,332	-
Total Liabilities	632,915	115,477	748,392	19,899
NET ASSETS				
Invested in capital assets, net of related debt	646,693	428,961	1,075,654	1,913
Restricted for debt service	34,173	9,097	43,270	13,893
Restricted for use of impact fees	5,594	-	5,594	-
Unrestricted	89,238	17,049	106,287	22,314
Total Net Assets	$ 775,698	$ 455,107	$ 1,230,805	$ 38,120

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental Activities:				
General government	$ 34,120	$ 17,264	$ 2,851	$ 1,208
Public safety	113,343	8,052	3,439	-
Public works	73,161	3,052	853	4,358
Public health	1,735	78	88	-
Parks and recreation	26,826	8,456	-	116,154
Public welfare	11,136	-	6,871	-
Convention and event services	5,628	2,418	-	-
Interest and fiscal charges	24,581	-	-	-
Total Governmental Activities	290,530	39,320	14,102	121,720
Business-Type Activities:				
Water and sewer	72,945	88,786	-	3,600
Total Business-Type Activities	72,945	88,786	-	3,600
Total Primary Government	$ 363,475	$ 128,106	$ 14,102	$ 125,320
Component Units:				
Arlington Sports Facilities Development Authority, Inc.	$ 3,557	$ 2,571	$ -	$ -
Arlington Housing Authority	22,895	-	23,050	-
Arlington Convention and Visitors Bureau	3,268	2,849	417	-
Arlington Housing Finance Authority	50	-	15	-
Total Component Units	$ 29,770	$ 5,420	$ 23,482	$ -

General Revenues:
Property taxes
Sales taxes
Criminal justice tax
State liquor tax
Bingo tax
Downtown TIF tax
Occupancy tax
Utility franchise fees
Gas lease
Interest
Net increase (decrease) in fair value of investments
Other
Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning
Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (12,797)	$ -	$ (12,797)	$ -
(101,852)	-	(101,852)	-
(64,898)	-	(64,898)	-
(1,569)	-	(1,569)	-
97,784	-	97,784	-
(4,265)	-	(4,265)	-
(3,210)	-	(3,210)	-
(24,581)	-	(24,581)	-
(115,388)	-	(115,388)	-
-	19,441	19,441	-
-	19,441	19,441	-
$ (115,388)	$ 19,441	$ (95,947)	$ -
$ -	$ -	$ -	$ (986)
-	-	-	155
-	-	-	(2)
-	-	-	(35)
$ -	$ -	$ -	$ (868)
108,301	-	108,301	-
79,781	-	79,781	-
313	-	313	-
1,040	-	1,040	-
96	-	96	-
940	-	940	-
6,860	-	6,860	-
29,145	-	29,145	-
25,471	-	25,471	-
21,849	1,685	23,534	2,100
2,109	257	2,366	162
5,239	-	5,239	238
6,520	(6,520)	-	-
287,664	(4,578)	283,086	2,500
172,276	14,863	187,139	1,632
603,422	440,244	1,043,666	36,488
$ 775,698	$ 455,107	$ 1,230,805	$ 38,120

CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Stadium Venue	Gas Lease	Street Capital Projects
ASSETS					
Cash and cash equivalents	$ 52,918	$ 24,274	$ 33,891	$ 41,585	$ 16,131
Closure/Post-closure restricted cash	4,511	-	-	-	-
Investments	-	5,278	110,286	-	-
Receivables (net of allowance for uncollectibles)					
Taxes	3,156	420	-	-	-
Sales taxes	8,209	4,123	-	-	-
Franchise fees	6,028	-	-	-	-
Special assessments	-	-	-	-	224
Accrued interest	2,674	83	878	-	-
Other	2,468	-	-	-	2
Due from other funds	3,277	-	-	-	-
Due from component units	22	-	-	-	-
Due from other governments	-	-	-	-	-
Inventory of supplies, at cost	574	-	-	-	-
Prepaid expenditures	35	-	-	-	-
Total Assets	$ 83,872	$ 34,178	$ 145,055	$ 41,585	$ 16,357
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	$ 6,608	$ 5	$ 1,473	$ 31	$ 1,736
Retainage payable	43	-	-	-	814
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenue-					
Taxes	3,065	-	-	-	-
Closure/Post-closure trust fund	4,511	-	-	-	-
Landfill	8,002	-	-	-	-
Gas lease	-	-	-	11,994	-
Other	1,297	-	-	-	224
Commercial paper	-	-	-	-	10,000
Total Liabilities	23,526	5	1,473	12,025	12,774
Fund Balances:					
Reserved for encumbrances	6,351	-	4,266	305	3,583
Reserved for debt service	-	34,173	-	-	-
Reserved for inventory	574	-	-	-	-
Reserved for prepaids	35	-	-	-	-
Reserved for capital projects	-	-	139,316	-	-
Reserved for street maintenance	-	-	-	-	-
Reserved for utility rate case	500	-	-	-	-
Reserved for court technology	-	-	-	-	-
Reserved for juvenile case manager	-	-	-	-	-
Unreserved-					
General fund					
Designated for working capital	16,232	-	-	-	-
Designated for subsequent years' expenditures	5,843	-	-	-	-
Designated for arbitrage	184	-	-	-	-
Designated for compensated absences	1,261	-	-	-	-
Designated for other post employment benefits	1,718	-	-	-	-
Designated for future initiatives	21,030	-	-	-	-
Designated for infrastructure	1,000	-	-	-	-
Undesignated	5,618	-	-	-	-
Special revenue funds					
Designated for working capital	-	-	-	-	-
Designated for Central Plaza	-	-	-	-	-
Designated for capital maintenance	-	-	-	-	-
Undesignated	-	-	-	29,255	-
Total Fund Balances	60,346	34,173	143,582	29,560	3,583
Total Liabilities and Fund Balances	$ 83,872	$ 34,178	$ 145,055	$ 41,585	$ 16,357

The notes to the financial statements are an integral part of this statement.

Other Nonmajor Funds	Total Governmental Funds
$ 52,213	$ 221,012
-	4,511
-	115,564
1,635	5,211
2,061	14,393
-	6,028
-	224
-	3,635
1,268	3,738
-	3,277
-	22
3,501	3,501
197	771
1	36
$ 60,876	$ 381,923

$ 4,995	$ 14,848
641	1,498
3,277	3,277
-	-
-	3,065
-	4,511
-	8,002
-	11,994
2,572	4,093
4,000	14,000
15,485	65,288
17,511	32,016
-	34,173
197	771
1	36
16,748	156,064
3,568	3,568
-	500
188	188
83	83
-	16,232
-	5,843
-	184
-	1,261
-	1,718
-	21,030
-	1,000
-	5,618
2,045	2,045
150	150
311	311
4,589	33,844
45,391	316,635
$ 60,876	$ 381,923

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF NET ASSETS
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

Total fund balance per balance sheet	$ 316,635
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding $12,587 recorded in the internal service funds.)	981,961
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	10,044
Internal service funds are used by management to charge the cost of fleet services, general services, APFA, technology services, workers' compensation and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	32,409
Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds (excluding $10,657 recorded in the internal service funds).	(565,351)
Net assets of governmental activities	$ 775,698

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Stadium Venue	Gas Lease	Streets Capital Projects
REVENUES					
Taxes	$ 121,335	$ 58,676	$ -	$ -	$ -
Licenses and permits	4,399	-	-	-	-
Utility franchise fees	29,145	-	-	-	-
Fines and forfeitures	7,528	-	-	-	-
Leases, rents and concessions	7,081	-	-	-	-
Service charges	5,668	-	-	-	-
Interest revenue	4,193	2,038	8,810	1,770	1,090
Net increase (decrease) in fair value of investments	356	94	1,288	95	62
Contributions	-	-	113,398	-	4,113
Intergovernmental revenues	-	-	2,822	-	-
Gas lease	-	-	-	25,471	-
Other	895	113	4	-	77
Total Revenues	180,600	60,921	126,322	27,336	5,342
EXPENDITURES					
Current-					
General government	29,877	-	-	-	-
Public safety	108,156	-	-	-	-
Public works	24,034	-	-	-	-
Public health	1,387	-	-	-	-
Public welfare	-	-	-	2,796	-
Parks and recreation	16,093	-	-	-	-
Convention and event services	-	-	-	-	-
Capital Outlay	335	-	230,741	-	28,508
Debt service-					
Principal retirement	-	24,415	-	-	-
Interest and fiscal charges	-	25,019	-	-	-
Total Expenditures	179,882	49,434	230,741	2,796	28,508
Excess (deficiency) of revenues over (under) expenditures	718	11,487	(104,419)	24,540	(23,166)
OTHER FINANCING SOURCES (USES)					
Transfers in	6,673	2,131	84	5,020	1,244
Transfers out	(13,159)	(84)	-	-	(124)
Total Other Financing Sources and Uses	(6,486)	2,047	84	5,020	1,120
Net Change in Fund Balances	(5,768)	13,534	(104,335)	29,560	(22,046)
Fund Balances, October 1,	66,114	20,639	247,917	-	25,629
Fund Balances, September 30	$ 60,346	$ 34,173	$ 143,582	$ 29,560	$ 3,583

The notes to the financial statements are an integral part of this statement.

Other Nonmajor Funds	Total Governmental Funds
$ 17,866	$ 197,877
-	4,399
-	29,145
-	7,528
-	7,081
14,528	20,196
2,764	20,665
146	2,041
4,209	121,720
12,764	15,586
-	25,471
2,927	4,016
55,204	455,725
915	30,792
4,548	112,704
13,482	37,516
308	1,695
8,370	11,166
7,532	23,625
5,628	5,628
19,274	278,858
2,000	26,415
-	25,019
62,057	553,418
(6,853)	(97,693)
4,214	19,366
(3,292)	(16,659)
922	2,707
(5,931)	(94,986)
51,322	411,621
$ 45,391	$ 316,635

CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

Net change in fund balance - total governmental funds	$ (94,986)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	244,539
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(7,008)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	27,291
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,963)
Internal service funds are used by management to charge the costs of fleet management and management information systems, property liability loss, health claims and offices services to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities.	5,403
Change in net assets of governmental activities	$ 172,276

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON STATEMENT
GENERAL FUND (BUDGETARY BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Taxes	$ 122,890	$ 122,890	$ 121,335	$ 2,827	$ 124,162	$ 1,272
Licenses and permits	4,878	4,878	4,399	-	4,399	(479)
Utility franchise fees	29,332	29,332	29,145	-	29,145	(187)
Fines and forfeitures	9,713	9,713	7,528	-	7,528	(2,185)
Leases, rents and concessions	7,530	7,530	7,081	800	7,881	351
Service charges	9,589	9,589	5,668	3,649	9,317	(272)
Interest revenue	2,777	2,777	4,193	-	4,193	1,416
Other revenue	19	19	895	(800)	95	76
Net increase (decrease) in the fair value of investments	-	-	356	(356)	-	-
Total Revenues	186,728	186,728	180,600	6,120	186,720	(8)
EXPENDITURES						
Current-						
General government	35,441	35,907	29,877	3,350	33,227	2,680
Public safety	109,064	109,064	108,491	1,934	110,425	(1,361)
Public works	29,403	29,403	24,034	4,606	28,640	763
Public health	1,360	1,360	1,387	(1)	1,386	(26)
Parks and recreation	16,298	16,298	16,093	706	16,799	(501)
Total Expenditures	191,566	192,032	179,882	10,595	190,477	1,555
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(4,838)	(5,304)	718	(4,475)	(3,757)	1,547
OTHER FINANCING SOURCES (USES)						
Transfers in	8,827	8,827	6,673	2,154	8,827	-
Transfers out	(3,963)	(5,713)	(13,159)	7,649	(5,510)	203
Total Other Financing Sources (Uses)	4,864	3,114	(6,486)	9,803	3,317	203
Net Change In Fund Balances	26	(2,190)	(5,768)	5,328	(440)	1,750
Fund Balances, October 1	66,114	66,114	66,114	-	66,114	-
Fund Balances, September 30	$ 66,140	$ 63,924	$ 60,346	$ 5,328	$ 65,674	$ 1,750

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds	
	Water and Sewer	**Governmental Activities- Internal Service Funds**
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 12,231	$ 28,761
Investments	-	2,790
Receivables (net of allowances for uncollectibles):		
Trade accounts	6,605	203
Unbilled trade accounts	6,278	-
Accrued interest	-	36
Other	26	-
Inventory of supplies, at cost	444	119
Subtotal	25,584	31,909
Restricted Assets:		
Bond contingency-investments	8,775	-
Capital construction-investments	30,576	-
Total Current Assets	64,935	31,909
Non-Current Assets:		
Restricted Assets:		
Bond contingency-		
Investments	1,850	-
Accrued interest	88	-
Capital construction-		
Investments	29,624	-
Assessments receivable	4	-
Meter deposit investments	4,725	-
Capital Assets:		
Land	4,941	-
Buildings and improvements	2,833	467
Water and sewer system	560,022	-
Machinery and equipment	9,896	36,739
Construction-in-progress	73,780	-
Accumulated depreciation	(182,637)	(24,619)
Total Capital Assets Net of Accumulated Depreciation	468,835	12,587
Total Noncurrent Assets	505,126	12,587
Total Assets	$ 570,061	$ 44,496

The notes to the financial statements are an integral part of this statement.

(continued)

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2007
(CONTINUED)
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds	
	Water and Sewer	Governmental Activities- Internal Service Funds
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 4,837	$ 907
Accrued compensated absences	113	17
Revenue bonds payable from unrestricted assets	5,487	-
Capital lease obligation	-	252
Current Liabilities Payable From Restricted Assets:		
Accounts payable and accrued liabilities	2,785	-
Retainage	1,152	-
Accrued interest	1,528	-
Estimated claims payable	-	6,413
Revenue bonds payable	2,743	-
Meter deposits	4,725	-
Total Current Liabilities	23,370	7,589
Noncurrent Liabilities:		
Estimated claims payable	-	3,179
Compensated absences	1,775	211
Revenue bonds payable from unrestricted assets	90,332	-
Capital lease obligation	-	585
Total Noncurrent Liabilities	92,107	3,975
Total Liabilities	115,477	11,564
NET ASSETS		
Invested in capital assets, net of related debt	428,961	11,750
Restricted for debt service	9,097	-
Unrestricted	16,526	21,182
Total Net Assets	$ 454,584	$ 32,932
Reconciliation to government-wide statements of net assets:		
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	523	
Net assets of business-type activities	$ 455,107	

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds	
	Water and Sewer	**Governmental Activities- Internal Service Funds**
Operating Revenues:		
Water sales	$ 43,693	$ -
Sewer service	40,246	-
Service charges	-	35,301
Sundry	4,847	47
Total Operating Revenues	88,786	35,348
Operating Expenses:		
Purchase of water	12,549	-
Purchase of sewage treatment	19,364	-
Salaries and wages	11,397	1,782
Employees' retirement	1,520	233
Supplies	2,356	3,838
Maintenance and repairs	2,493	2,499
Utilities	3,155	619
Claims	-	19,942
Legal and professional	-	2,579
Franchise fees	4,413	-
Depreciation	10,853	3,280
Miscellaneous services	3,797	1,215
Total Operating Expenses	71,897	35,987
Operating Income (Loss)	16,889	(639)
Nonoperating Revenues (Expenses):		
Interest revenue	1,685	1,426
Net increase in the fair value of investments	257	68
Actuarial adjustment	-	760
Gain (Loss) on sale of assets	-	19
Interest expense and fiscal charges	(1,036)	(56)
Total Nonoperating Revenues (Expenses)	906	2,217
Income before transfers and contributions	17,795	1,578
Contributions in aid of construction	3,600	-
Transfers in	-	3,813
Transfers out	(6,520)	-
Change in Net Assets	14,875	5,391
Total Net Assets, October 1	439,709	27,541
Total Net Assets, September 30	$ 454,584	$ 32,932
Net change in net assets - total proprietary funds	$ 14,875	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	(12)	
Change in net assets of business-type activities	$ 14,863	

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities-Enterprise Funds	
	Water and Sewer	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 90,298	$ 35,370
Cash payments to suppliers	(43,201)	(31,749)
Cash payments to employees	(12,689)	(1,975)
Net Cash Provided By Operating Activities	34,408	1,646
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	-	3,813
Transfers out	(6,520)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(6,520)	3,813
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(25,058)	(4,345)
Principal payments on capital lease	-	(229)
Interest payments on capital lease	-	(56)
Proceeds from sales of capital assets	-	186
Proceeds from issuance of long-term debt	24,000	-
Repayment of long-term debt	(9,510)	-
Interest payment long-term debt	(3,557)	-
Net Cash Used For Capital And Related Financing Activities	(14,125)	(4,444)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from interest earnings	2,761	1,426
Net increase (decrease) in the fair value of investments	257	68
Actuarial Adjustment	-	760
Purchase of investments	(56,209)	(4,490)
Maturities/sales of investments	38,476	1,700
Net Cash Used In Investing Activities	(14,715)	(536)
Net Increase (Decrease) In Cash And Cash Equivalents	(952)	479
Cash And Cash Equivalents, October 1	13,183	28,282
Cash And Cash Equivalents, September 30	$ 12,231	$ 28,761
Reconciliation of operating income to net cash provided by (used for) operating activities:		
Operating income (Loss)	$ 16,889	$ (639)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,853	3,280
Interest earnings capitalized	(1,059)	-
Interest expense capitalized	2,954	-
Amortization of deferred loss on bond refunding	(57)	-
Provision for bad debts	(30)	-
(Increase) decrease in-		
Receivables	1,512	22
Inventory of supplies	(40)	(34)
Increase (decrease) in-		
Accounts payable and accrued liabilities	2,182	(171)
Estimated claims payable	-	(852)
Retainage payable	383	-
Meter deposits	593	-
Accrued compensated absences	228	40
Total adjustments	17,519	2,285
Net Cash Provided By Operating Activities	$ 34,408	$ 1,646
Noncash investing, capital, and financing activities:		
Contributions of capital assets from developers	3,600	-
Capital Leases	-	78

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	$ -	$ 16,555
Investments		
Money market fund	17,809	-
U. S. Government bonds	-	-
Corporate bonds	716	-
Fixed income mutual bond funds	7,659	-
Common stock mutual bond funds	56,433	347
Balanced mutual funds	13,407	-
Self directed brokerage accounts	4,652	-
Total Investments	100,676	347
Total Assets	100,676	$ 16,902
LIABILITIES		
Accounts payable and accrued liabilities	-	$ 16,555
IRC 401 deferred compensation plans	-	347
Total Liabilities	-	$ 16,902
NET ASSETS		
Held in trust for pension benefits	$ 100,676	

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

		Pension Trust Funds
ADDITIONS		
Employer contributions	$	2,480
Employee contributions		5,055
Net appreciation in fair value of investments		11,800
Total Additions		19,335
DEDUCTIONS		
Benefits		9,135
Plan administration		41
Total Deductions		9,176
Increase in Net Assets		10,159
Net Assets, October 1		90,517
Net Assets, September 30	$	100,676

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arlington, Texas (the "City") was incorporated April 19, 1884 and the city charter was adopted January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities, and general administrative services.

The accompanying financial statements of the City include all funds and component units. The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both non-current assets and non-current liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting of the City's governmental funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by Statement No. 34. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GAAP also requires supplementary information presented as Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the originally adopted and final General Fund budget with actual results.

B. Reporting Entity

The City is governed by an elected mayor and nine-member council. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial

statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Arlington Property Finance Authority, Inc.

The financial statements of the Arlington Property Finance Authority, Inc. (the“APFA”), a component unit, have been "blended" with those of the City because its board of directors is appointed by the City Council, and the City management maintains significant continuing management oversight with respect to APFA's policies. Additionally, the APFA provides services entirely to the City and its employees.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Arlington Sports Facilities Development Authority, Inc.

The Arlington Sports Facilities Development Authority, Inc.'s (the "ASFDA") board of directors is appointed by the City Council. The ASFDA's management is designated by the City, and City employees are responsible for the ASFDA's daily operations. The City is financially accountable for the ASFDA's activities. Separate ASFDA component unit financial statements are not prepared.

Arlington Housing Authority

The Arlington Housing Authority's (the "AHA") board of commissioners is appointed by the Mayor. The AHA's management is designated by the City. The employees who are responsible for daily operations of the AHA are City employees. The City has financial accountability over the AHA's activities. The audited financial statements of the AHA are prepared in accordance with accounting principles generally accepted in the United States (GAAP). Separate AHA component unit financial statements can be obtained from the AHA at 501 W. Sanford Street, Suite 20, Arlington, Texas 76010.

Arlington Convention and Visitors Bureau, Inc.

The Arlington Convention and Visitors Bureau, Inc.'s (the "ACVB") board of directors is appointed by the City Council. The primary source of revenue for the ACVB is a professional services support contract with the City; therefore, the City has financial accountability over the ACVB's activities. Separate ACVB component unit financial statements can be obtained from the ACVB at 1905 E. Randol Mill Road, Arlington, Texas 76011.

Arlington Housing Finance Corporation

The Arlington Housing Finance Corporation's (the "AHFC") board of directors is appointed by the City Council. The AHFC's management is designated by the City, and City employees are responsible for the daily activities of the AHFC; accordingly, the City has financial accountability over AHFC's activities. Separate AHFC component unit financial statements are not prepared.

Arlington Industrial Development Corporation

The Arlington Industrial Development Corporation's (the "AIDC") board of directors is appointed by the City Council. The AIDC's management is designated by the City, and City employees are responsible for the daily activities of the AIDC; accordingly, the City has financial accountability over AIDC's activities. Separate AIDC component unit financial statements are not prepared.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. All franchise fees are based on gross receipts and are included in general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property, sales and franchise taxes, intergovernmental revenues, interest income, etc.).

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund, Stadium Venue Fund, Gas Lease Fund, and Street Capital Projects Fund. GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the Comprehensive Annual Financial Report.

Internal Service Funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. Because the principal users of the internal services are the City's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.).

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund statements. Agency funds, however, report only assets and liabilities and therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered deferred revenue.

Business-type activities and all proprietary funds, and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer fund are charges to customers for sales and services. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide business-type activities and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The following major funds are used by the City:

1. Governmental Funds:

The focus of Governmental fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.

b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

c. Stadium Venue Fund accounts for the planning, acquisition, establishment, development, and construction of the Dallas Cowboys Complex Development Project. Funds are provided primarily through bond sales, interest earnings, sales tax, hotel occupancy tax, and car rental tax.

d. Gas Lease Fund accounts for funds received from gas lease bonuses and royalties which will be used to fund renovations and improvements at various locations and for Matching Neighborhood Grants.

e. Street Capital Projects Fund accounts for the purchase of rights of way and land, construction of streets and related facilities, and to account for various other projects related to street construction. Funds are provided primarily through bond sales, interest earnings, and impact fees.

f. Other Governmental Funds is a summarization of all of the nonmajor governmental funds.

2. Enterprise Funds:

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The City's only Enterprise Fund is the Water and Sewer Fund. This fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund.

3. Other Fund Types:

The City additionally reports for the following Fund types:

a. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. These services include printing, mailing and duplicating; fleet services; self insurance; technology services; workers' compensation insurance; and group health insurance.

b. Agency Funds are used to account for assets held by the City in an agency capacity for payroll related benefits, escheat property for the state, and other assets held for individuals, local law enforcement agencies and developers.

c. Pension Trust Funds are used to account for the accumulation of resources to be used for the retirement and disability benefit payments to qualified City employees and for thrift savings plans for City employees.

E. Cash, Cash Equivalents and Investments

To facilitate cash management, the operating cash of certain funds and component units is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds and component units except the ASFDA, the Trust Funds, and the AHA, all of which maintain separate investments. Each fund's portion of this pool is allocated through its cash and cash equivalent account on the balance sheet. In addition, certain investments are separately held by several of the City's funds. Interest is allocated on a monthly basis to all funds in the investment pool based on their average balance at the end of each month. Interest earned by separate investments is credited to the respective funds.

For purposes of the statement of cash flows, the City considers all unrestricted investments included in its cash management pool to be cash equivalents as these balances are used essentially as demand deposit accounts by the individual funds. Investments included in the cash management pool which are restricted for use are reported as investments. Additionally, certificates of deposit and temporary investments held separately from the City's cash management pool and which are purchased with original maturities at the time of purchase of three months or less are reported as cash equivalents.

The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost.

Texas statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the state of Texas. The City is also authorized to invest in direct obligations of the state of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, money market mutual funds, prime bankers' acceptances, and reverse repurchase agreement.

In accordance with GASB Statement No. 31, investments with maturities greater than one year at time of purchase are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a transaction between willing parties.

F. Inventories and Prepaid Items

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50
Improvements other than buildings	20 - 40
Equipment	4 - 10
Drainage improvements	35 - 50
Meters	10
Streets	20 - 25
Storm/sanitary sewer	50
System infrastructure	20 - 50

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2007, approximately $1,895,000 of interest costs, net of $1,059,000 of interest earned, were capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Interest expensed (net of capitalized interest) and interest earned in fiscal 2007 for the Water and Sewer Fund amounted to approximately $1,036,000 and $1,685,000, respectively.

I. Arbitrage Liability

The City accrues a liability for an amount of rebatable arbitrage resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. Such investment activities can result in interest revenue exceeding interest cost. The arbitrage liability is payable to the federal government every five years; however, the City calculates and records its arbitrage liability annually. The arbitrage liability is recorded as a liability in the government-wide and proprietary fund types, as applicable, on the accrual basis and as a reduction of interest income on the invested debt proceeds.

J. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 20 days per year for 15 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service.

The City's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days (180 for fire fighters). For employees with more than five years of service, one-fourth of the total amount of accumulated sick pay up to a maximum of 120 days is paid at termination. The full amount accumulated up to 120 days maximum is paid if termination is through retirement or death.

Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is typically used to liquidate the liability for governmental activities' compensated absences.

K. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums/ discounts and issuance costs, are deferred and amortized over the life of the bonds using the effective interest method and straight line method, respectively. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as other financing sources or uses or expenditures at the time of the debt issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. New Accounting Pronouncements

During fiscal year 2007, the City adopted the following Governmental Accounting Standards Board ("GASB") Statement:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement established financial reporting standards for the City's disability income plan and post-retirement health care benefits. The City added the required footnote disclosures for fiscal year 2007. See Note 6.

The GASB has issued the following statements which will be effective in future years as described below:

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* effective in fiscal year 2008, which establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures, related liabilities and note disclosures in the financial statements.
Statement No. 47, *Accounting for Termination Benefits.* This is effective for the City in two parts: (1) for those benefits that relate to other post-employment benefits, the City is to implement at the same time as GASB 45 and (2) for other termination benefits, the effective date was fiscal 2006. This statement defines the accounting for voluntary and involuntary termination benefits (i.e. early retirement incentives). For voluntary termination benefits, an accrual of these costs is warranted when the termination terms have been accepted by the employee and the costs can be estimated. For involuntary termination occurrences, the liability should be recorded when the termination costs, such as severance, can be estimated and a plan for involuntary termination has been approved by the City. The plan for involuntary termination should include the number and classes of employees affected, employee location, date of proposed termination, and types of benefits that are expected to be paid to terminated employees.

Statement No. 48, *Sales and Pledges of Receivables and Future Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This Statement is effective for the City beginning in fiscal year 2008. This Statement establishes criteria that governments will use to ascertain whether certain transactions should be regarded as a sale or a collateralized borrowing. The Statement also requires enhanced disclosures pertaining to future revenues that have been pledged or sold, provides guidance on sales of receivables and future revenues within the same financial reporting entity, and provides guidance on recognizing other assets and liabilities arising from the sale of specific receivables or future revenues.

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This is effective for the City beginning in fiscal year 2009. This statement identifies the circumstances under which a governmental entity would be required to report a liability related to pollution remediation and be required to report a liability related to pollution remediation and be required to estimate its expected outlays for pollution remediation if it knows a site is polluted.

Statement No. 50 ("GASB 50"), *Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27,* in May 2007. The statement will be effective for the City in the fiscal year ending September 30, 2009. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB), and in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 27, *Accounting for Pensions by State and Local governmental Employers,* to confirm with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans,* and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

Statement No. 51 ("GASB 51"), *Accounting and Financial Reporting for Intangible Assets,* which is effective for the City beginning in fiscal year 2010. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets.

Statement No. 52 ("GASB 52"), *Land and Other Real Estate Held as Investments by Endowments,* which is effective for the City beginning in fiscal year 2009. This Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

The City has not yet determined the impact of implementing the above new pronouncements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains the "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this $565,351,000 difference are as follows (amounts in thousands):

Bonds payable	$526,270
Less: Deferred charge for issuance costs (to be amortized as interest expense)	(4,033)
Premium general obligation debt	11,623
Deferred loss refunding	(2,474)
Accrued interest payable	1,446
Arbitrage rebate	970
Sales tax payable	783
Landfill closure	4,511
Compensated absences	25,365
Capital leases	890
Net adjustment to reduce fund balance - total governmental funds To arrive at net assets - governmental activities	$565,351

Another element of that reconciliation explains the "other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds". The details of this $10,044,000 difference are as follows (amounts in thousands):

	Deferred & Unearned	Unearned
Taxes	$ 3,065	$ -
Closure/Post-closure	4,511	-
Landfill	8,002	8,002
Gas lease	11,994	11,994
Grant revenue	1,821	1,625
Other	2,272	-
	$31,665	$ 21,621

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances include a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful

lives and reported as depreciation expense." The details of the $244,539,000 difference are as follows (amounts in thousands):

Capital outlay	$282,010
Depreciation expense	(37,471)
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net assets of governmental activities	$244,539

Another element of that reconciliation states "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this $27,291,000 difference are as follows (amounts in thousands):

Debt issued or incurred:	
Amortization of deferred loss on bond refunding	($544)
Principal repayments:	
General obligation debt	24,415
Commercial paper	2,000
Capital lease	382
Amortization of bond premium	1,038
Net adjustment to increase net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	($ 27,291)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this $2,963,000 difference are as follows (amounts in thousands):

Compensated absences	($ 2,126)
Arbitrage	(925)
Accrued interest expense	102
Amortization of issuance cost	(163)
Sales tax	149
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	($ 2,963)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as budgeted expenditures. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The statements comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the fund level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that

alter total expenditures of the General Fund, Debt Service Fund, and certain Special Revenue funds must be approved by the City Council. During fiscal year 2007, the City Council approved budgetary expenditure amendments for the General Fund in the amount of $466,000. These additional expenditures were to fund thirteen new positions hired in May to assist with the backlog of tickets at the Municipal Court and for parking meters in downtown, which will be reimbursed from revenues associated with the parking meters. The Convention and Events Services fund appropriations were increased by $150,000 for for the costs associated with the design of Central Plaza.

The Budgetary Comparison Statement presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the following exceptions:

> The portion of ad valorem tax revenues in the General Fund from "rolled back" tax payments (taxes, up to five years back, on properties previously taxed at special use exemption values and currently changed to full values) are excluded from the budgetary basis tax revenues and from the general governmental expenditures.
>
> Certain interdepartmental revenues and expenses are included in budgetary basis revenues and expenditures, but are eliminated from actual revenues and expenditures.

General Fund encumbrances are added to the actual expenditures for budgetary comparison. Budgetary data for the project-length Special Revenue Funds and Capital Projects Funds have not been presented. Receipts of revenues are not estimable for all Special Revenue Funds and are not budgeted. Expenditures are limited to total revenues over the life of the funds. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in an annual Capital Improvements Program plan.

B. Deficit fund equity

Special Revenue Funds, funded by State and Federal Grants, submit their expenses to associated governmental agencies for reimbursement. Reimbursements not received within sixty days must be deferred, creating a deficit fund balance. For the fiscal year ending September 30, 2007, the Community Development Block Grant fund deficit of $181,000, the Texas Department of Transportation fund deficit of $342,000, the Home Investment Partnership fund deficit of $356,000, and the FEMA fund deficit of $146,000 will be funded by Federal and State Grants, reimbursements from which will replenish the fund balance in the following fiscal year. Included in Other Special Revenue are the following with fund deficits: the Drug Enforcement fund deficit of $33,000, and the Auto Theft fund deficit of $13,000. These fund balances will also be replenished in the following fiscal year from reimbursements funded by Federal and State Grants. The Park Performance fund deficit of $147,000 will be funded from the General Fund and the Police Capital Projects fund deficit of $3,190,000 will be funded from the issuance of certificates of obligation.

IV. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH EQUIVALENTS AND INVESTMENTS

State statutes, the City's Investment Policy and the City's Depository Agreement govern the investments of the City. The City is authorized to invest in U. S. Government obligations and its agencies or instrumentalities, obligations of Texas and its agencies, fully insured or collateralized certificates of deposit, fully collateralized repurchase agreements, commercial paper rated A-1+, P-1 with an underlying long-term rating of AA or better, prime domestic bankers acceptances, government pools and money market funds consisting of any of these securities listed, and obligations of states, cities and other political subdivisions with a rating of AAA and a maximum maturity of 18 months. Major provisions of the City's investment policy include the following: depositories must be FDIC-insured institutions, depositories must fully insure or collateralize all deposits, and investments must be purchased in the name of the City and be delivered to the City's agent for safekeeping.

Deposits - At September 30, 2007, the carrying amount of the City's demand deposits was a $4,429,000 deficit (bank balance, $1,205,318). The $4,429,000 consisted of a deficit $22,660,000 balance in City

Funds, a positive $17,002,000 balance in Fiduciary Funds and a positive $1,229,000 balance in Component Unit Funds. The balance in cash on hand was $131,000 at year end.

Investments – The City is the beneficiary of a Closure/Post Closure Trust in the amount of $4,511,000. This amount is recorded as an investment in trust and as a landfill closure accrued liability. Under the landfill lease agreement, the lessee must maintain a trust equal to the amount of the City's closure/post closure liability. The funds in this trust are to be used solely by the City to pay for closure and post closure expenses as they are incurred.

The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost.

As of September 30, 2007, the City had the following cash, cash equivalents and investments (amounts in thousands):

City Funds	**Fair Value**	**Weighted average Maturity (in days)**
Demand Deposits	$(22,660)	n/a
Cash on Hand	131	n/a
General Operating/Internal Pool	297,559	291
Cowboy Stadium Complex Project	144,254	57
Debt Service and Working Capital Reserve	6,916	411
Cowboy Stadium Complex Debt Service Reserve	25,125	30
Self-Insurance	4,583	194
Total City	**$455,908**	
Fiduciary Funds	**Fair Value**	**Weighted average Maturity (in days)**
Agency Funds-Demand Deposits	$17,002	n/a
Agency Funds- Cash in Bank	(447)	n/a
Agency Funds- Mutual Funds	347	n/a
Pension Trust Funds – Money Market Fund	17,809	n/a
Pension Trust Funds – Corporate Bonds	716	n/a
Pension Trust Funds- Mutual Funds	82,151	n/a
Total Fiduciary Funds	**$117,578**	
Component Units		
Demand Deposits	$1,229	n/a
Cash in Bank	7,729	n/a
ASFDA – Money Market	2,235	n/a
ASFDA – U.S. Treasury	11,626	345
AHA – U.S. Government Bond	3,144	529
Total Component Units	**$25,963**	
Total Entity – Cash, Cash Equivalents and Investments	**$599,449**	

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum maturity of any single investment and the weighted average maturity of combined investments by fund groups. The following table lists the fund groups authorized in the City's investment policy and the maximum maturity and maximum weighted average maturity ("WAM"):

Fund	Maximum Maturity	Maximum WAM
General Operating	2 Years	1 Year
Capital Project	2 Years	18 Months
Cowboy Stadium Complex Project	4 Years	3 Years
Debt Service and Working Capital Reserve	5 Years	4 Years
Cowboy Stadium Complex Debt Service Reserve	7 Years	7 Years
Debt Service Sinking	7 Years	7 Years
Self-Insurance	7 Years	5 Years

Credit Risk. The City's investments in the bonds of U.S. agencies were rated Aaa by Moody's investors Service and AAA by Standard and Poor's. The Arlington Housing Authority's investments in the Federal Home Loan Bank bond was rated AAA by Moody's. The Arlington Sports Facility Development's investments were in U.S. Treasury funds or U.S. Treasury money market mutual funds.

Concentration of Credit Risk. The City's investment policy places no limit on the amount the City may invest in any one issuer, but the City's Investment Committee is assigned the strategy of portfolio diversification. All securities are AAA rated.

As of September 30, 2007, the City's overall portfolio consisted of:

City Funds	Fair Value
Demand Deposits	$(22,660)
Cash on Hand	131
Federal Home Loan Bank	70,193
Federal Home Loan Mortgage Corp.	90,213
Federal National Mortgage Association	52,263
Private Export Funding	5,048
Wells Fargo Money Market	86,728
TexPool	54,719
U.S. Treasury	119,273
Total City	**$455,908**
Fiduciary Funds	**Fair Value**
Agency Funds-Demand Deposits	$17,002
Agency Funds- Cash in Bank	(447)
Agency Funds- Mutual Funds	347
Pension Trust Funds – Money Market Fund	17,809
Pension Trust Funds – Corporate Bonds	716
Pension Trust Funds- Mutual Funds	82,151
Total Fiduciary Funds	**$117,578**

Component Units	
Demand Deposits	$1,229
Cash in Bank	7,729
ASFDA – Wells Fargo Money Market	2,235
ASFDA – U.S. Treasury	11,626
AHA – U.S. Government Bond	3,144
Total Component Units	$25,963
Total Entity – Cash, Cash Equivalents and Investments	**$599,449**

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2007. The City's bank balance (excluding Component Units) was covered by collateral with a fair value of $11,233,953. The bank balance was fully collateralized by securities held in the City's name by the Federal Home Loan Bank of Dallas through a tri-party (City, depository bank and Federal Home Loan Bank) collateral agreement.

The City's investments in public funds investment pools include investments in TexPool. TexPool is a public funds investment pool operating as a 2a-7 like pool in full compliance with the Public Funds Investment Act. TexPool is rated as an AAA money market fund by Standard & Poor's. As of September 30, 2007, the City's investment in TexPool was $54,719,000 with a market value of $54,719,000.

2. PROPERTY TAXES

Property Taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalty and interest is charged at 7 percent on delinquent taxes beginning February 1 and increase each month to 18 percent on July 1.

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Appraisal Review Board. The assessed value for the tax roll of January 1, 2006, upon which the original FY07 levy was based, was $16,793,425,000.

City property tax revenues are recorded as receivables and deferred revenues at the time the tax levy is billed. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year-end. An allowance is provided for delinquent personal property taxes not expected to be collected in the future.

For the fiscal year ended September 30, 2007, the City had a tax rate of $0.6480 ($0.4468 for general government and $0.2012 for debt service) per $100 assessed valuation with a tax margin of $1.8520 per $100 valuation based upon a maximum ad valorem tax of $2.50 per $100 valuation permitted by Article XI, Section 5, of the State of Texas Constitution. Additional revenues up to approximately $311,014,227 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately $16,793,425,000.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the City sets tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

3. RECEIVABLES

Receivables at September 30, 2007 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following:

(Amounts expressed in thousands)

	General	Debt Service	Stadium Venue	Water & Sewer	Gas Lease	Street Capital Projects	Nonmajor & Other Funds	Total
Receivables:								
Taxes	$ 8,101	$ 420	$ -	$ -	$ -	$ -	$ 1,635	$ 10,156
Franchise Fees	6,028	-	-	-	-	-	-	6,028
Trade Accounts	-	-	-	8,575	-	-	-	8,575
Unbilled Trade Accounts	-	-	-	6,540	-	-	-	6,540
Special Assessments	-	-	-	-	-	224	-	224
Sales Taxes	8,209	4,123	-	-	-	-	2,061	14,393
Accrued Interest	2,674	83	878	-	-	-	-	3,635
Other	2,468	-	-	26	-	2	1,292	3,788
Gross Receivables	27,480	4,626	878	15,141	-	226	4,988	53,339
Less: Allowance for Uncollectibles	(4,945)	-	-	(2,232)	-	-	(24)	(7,201)
Net total Receivables	$ 22,535	$ 4,626	$ 878	$ 12,909	$ -	$ 226	$ 4,964	$ 46,138

4. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2007 was as follows:

(Amounts expressed in thousands)

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 80,600	$ 1,166	$ (6)	$ 81,760
Construction in progress-other	103,898	48,116	(49,409)	102,605
Construction in progress-stadium	141,005	230,741	-	371,746
Total capital assets, not being depreciated	325,503	280,023	(49,415)	556,111
Capital assets, being depreciated:				
Buildings	134,794	14,642	(331)	149,105
Improvements other than buildings	55,584	-	-	55,584
Equipment	50,325	12,550	(894)	61,981
Infrastructure	760,720	23,151	-	783,871
Total capital assets, being depreciated	1,001,423	50,343	(1,225)	1,050,541
Less accumulated depreciation for:				
Buildings	49,541	5,312	(305)	54,548
Improvements other than buildings	18,936	-	-	18,936
Equipment	32,680	6,539	(845)	38,374
Infrastructure	471,347	28,899	-	500,246
Total accumulated depreciation	572,504	40,750	(1,150)	612,104
Total capital assets, being depreciated, net	428,919	9,593	(75)	438,437
Governmental activities capital assets, net	$754,422	$289,616	($49,490)	$994,548

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Total Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 4,828	$ 113	$ -	$ 4,941
Construction in progress	76,987	24,854	(28,061)	73,780
Total capital assets, not being depreciated	81,815	24,967	(28,061)	78,721
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Water and sewer system	528,277	31,745	-	560,022
Machinery and equipment	9,889	7	-	9,896
Total capital assets, being depreciated	540,999	31,752	-	572,751
Less accumulated depreciation for:				
Buildings and improvements	964	53	-	1,017
Water and sewer system	161,218	10,671	-	171,889
Machinery and equipment	9,602	129	-	9,731
Total accumulated depreciation	171,784	10,853	-	182,637
Total capital assets, being depreciated, net	369,215	20,899	-	390,114
Business-type activities capital assets, net	$451,030	$45,866	($28,061)	$468,835

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General Government	$ 2,933
Public Safety	1,346
Parks and recreation	3,311
Public works	29,875
Public health	5
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	3,280
Total depreciation expense – governmental activities	$40,750
Business-type activities:	
Water and sewer	$ 10,853
Total depreciation expense – business-type activities	$ 10,853

Discretely presented component units:

(Amounts expressed in thousands)

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Sports Facilities Development Authority, Inc.:				
Capital assets, being depreciated:				
Buildings and improvements	$2,739	$ -	$ -	$2,739
Total capital assets, being depreciated	2,739	-	-	2,739
Less accumulated depreciation for:				
Buildings and improvements	1,369	109	-	1,478
Total accumulated depreciation	1,369	109	-	1,478
Total capital assets, being depreciated, net	1,370	(109)	-	1,261
Arlington Sports Facility Development Authority, Inc. activities capital assets, net	$1,370	($109)	$ -	$1,261

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Housing Authority, Inc.:				
Capital assets, being depreciated:				
Machinery and equipment	$ 672	$ 28	$ -	$700
Total capital assets, being depreciated	672	28	-	700
Less accumulated depreciation for:				
Machinery and equipment	226	34	-	260
Total accumulated depreciation	226	34	-	260
Total capital assets, being depreciated, net	446	(6)	-	440
Arlington Housing Authority, Inc. activities capital assets, net	$ 446	$ (6)	$ -	$440

	Balance at Beginning Of Year	Transfers And Additions	Transfers And Retirements	Balance at End Of Year
Arlington Convention and Visitors Bureau, Inc.:				
Capital assets, being depreciated:				
Machinery and equipment	$503	$ 101	$ -	$604
Total capital assets, being depreciated	503	101	-	604
Less accumulated depreciation for:				
Machinery and equipment	286	73	-	359
Total accumulated depreciation	286	73	-	359
Total capital assets, being depreciated, net	217	28	-	245
Arlington Convention and Visitors Bureau, Inc. activities capital assets, net	$217	$28	$ -	$245

5. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of 821 currently administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas, 78714.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100 percent, 150 percent, or 200 percent) of the employee's accumulated contributions. In addition, the City can grant as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows (as of 4/1/07):

Deposit Rate:	7%
Matching Ratio: (City to Employee)	2 to 1
A member is vested after:	5 years

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year open amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began in January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

For 2007, the City’s annual pension cost of $15,164,648 was equal to the City’s required and actual contributions. The required contribution was determined as part of the December 31, 2006 actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included a 7 percent investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) a 3.5% inflation rate adjustment. The actuarial value of assets is adjusted cost for bonds (original cost adjusted for amortization of premium or accrual of discount) and original cost for

short-term securities and stocks, which is the same as book value. The City's unfunded actuarial accrued liability is being amortized over a constant 25-year open amortization period as a level percentage of payroll.

The following table discloses three-year historical trend information relating to the TMRS plan.

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
9/30/05	$14,671,901	100.00%	-
9/30/06	$14,512,396	100.00%	-
9/30/07	$15,164,648	100.00%	-

Future Funding Requirements - In early December 2007 the TMRS Board of Trustees met and adopted actuarial changes that include a change from the Unit Credit actuarial cost method to the Projected Unit Credit actuarial cost method for all TMRS city plans as well as a closed amortization period of 30 years. The effect of these changes will result in an increase in city contribution rates for most Texas cities. Cities will have the option to increase their contributions over an eight-year phase-in period. All cities will receive their 2009 contribution rate letter in May 2008 that will specify exactly how these changes will affect the future annual required contribution rate upon completion of an actuarial valuation to be performed as of December 31, 2007. These changes are intended to help the TMRS system remain well-funded, to preserve members' benefits, and to give cities a more complete picture of the cost of benefits currently adopted. While the impact of TMRS changes is not presently known, the City's contribution rate is expected to increase significantly. Tentative estimates of the City's future contribution rate show an increase from 13.45 to 19.00. Management believes that while these possible increases will present additional challenges to the City during the budget process the City will be able to make necessary changes to mitigate any adverse financial impact to the City.

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2007, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was $98,658,000.

The City's total payroll during fiscal 2007 was $133,629,000. The current year contribution was calculated based on a covered payroll of $75,014,000, resulting in a required and actual employer contribution of $2,043,000 and actual employee contributions of $4,954,000. The employer contribution represents 2.72 percent of the covered payroll. The employee contribution represents approximately 6.6 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2007. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

Part-Time Deferred Income Trust

The City provides retirement benefits for all part-time, seasonal, and temporary employees through the Part-time Deferred Income Trust Plan (the "PDIT"), a single-employer defined benefit pension plan administered by the City of Arlington's Workforce Services Department. The PDIT was adopted by the City Council in accordance with the safe harbor rules of the Internal Revenue Service regulations. The PDIT does not issue separate stand-alone financial statements.

The contribution rate for employees is 3 percent, and the City's actuarially determined matching percent is currently 3.3 percent. The City's required contribution rate was determined as part of the July 1, 2006, actuarial valuation (the most recent actuarial valuation) using the aggregate cost method, which does not identify or separately amortize unfunded actuarial liabilities.

The actuarial assumptions used in the July 1, 2006 actuarial valuation included were (a) 6.50 percent investment return, (b) no inflation rate adjustment, and (c) 4.50 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. The actuarial accrued liability was determined using the entry age normal cost method.

The following table discloses three-year historical trend information relating to the Part-Time Deferred Income Trust Plan.

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed	Net Pension Obligation
9/30/05	$87,000	100.00%	-
9/30/06	$67,000	100.00%	-
9/30/07	$114,000	100.00%	-

Benefits depend on length of service to the City and the employee's total contributions. At normal retirement age (65), the benefit consists of monthly payments equal to a percentage of the employee's average pay multiplied by years of service. The percentage of the employee's pay ranges from 1.50 percent to 2.00 percent, depending on the number of months of service.

IRC 457 Deferred Compensation Plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is administered by the International City Management Associations Retirement Corporation (the "ICMA"). In addition, the City offers its executive employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 which is also administered by the ICMA. Due to the fact that the City does not administer these plans, these plans are not included in the City's financial statements.

City contributions for the above plans for the year ended September 30, 2007, are as follows (amounts in thousands):

TMRS	$15,164
THRIFT	2,043
PTDIT	114
	$17,321

Statement of Net Assets and Statement of Changes in Net Assets

The Part-Time Deferred Income Trust and Thrift Savings Plans do not issue separate GAAP financial reports. Their financial statements are presented below as of September 30, 2007 (amounts in thousands):

	Net Assets		
	Part-Time Deferred Income Trust	Thrift Savings Plan	Total
ASSETS			
Investments	$1,601	$98,658	$100,259
Total Assets	$1,601	$98,658	$100,259
NET ASSETS, Held in Trust For Pension Benefits	$1,601	$98,658	$100,259

	Changes in Net Assets		
	Part-Time Deferred Income Trust	Thrift Savings Plan	Total
ADDITIONS			
Employer contributions	$ 114	$ 2,043	$ 2,157
Employee contributions	101	4,954	5,055
Net appreciation in fair value of investments	112	11,660	11,772
Total Additions	$ 327	$18,657	$18,984
DEDUCTIONS			
Benefits	49	8,808	8,857
Plan administration	17	16	33
Total Deductions	66	8,824	8,890
Increase in Net Assets	261	9,833	10,094
NET ASSETS, October 1	1,340	88,825	90,165
NET ASSETS, September 30	$1,601	$98,658	$100,259

6. OTHER POST EMPLOYMENT BENEFITS

Disability Income Plan

Effective October 1, 1992, the City began providing active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income Plan (DIP), a single-employer other postemployment benefit disability plan, which had been funded by actuarially determined contributions. This plan had been accounted for in the DIP fund. Benefits to employees who were disabled while participating under the previous plan will continue to be paid from the remaining assets of the DIP fund.

The following table discloses three-year historical trend information relating to the Disability Income Plan.

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
9/30/05	$288,000	100.00%	-
9/30/06	348,000	100.00%	-
9/30/07	323,000	100.00%	-

Summary of Significant Accounting Policies

Basis of Accounting. DIP's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Cash and cash equivalents with original maturity dates less than one year are stated at cost that approximates fair value. Investments are stated at fair based on either the month end price, the last available price or the last available activity.

Plan Description and Contribution Information

Membership of the plan consisted of the following at July 1, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	33
Active plan members	1,999
Total	2,032
Number of participating employers	1

Plan Description. DIP is a single-employer defined benefit disability income plan that covers the employees of the City. The plan originally provided in-service death benefits and long term disability benefits commencing upon disablement. The plan was amended to eliminate the in-service death benefit and to start disability payments at age 65. The plan contemplates that long term disability benefits will be provided through a separate LTD insurance contract prior to age 65. The retired life liability for current disabled employees (many of whom are under age 65) is retained under the plan.

Contributions. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. Per the most recent valuation, the City is contributing at a rate equivalent to 0.30 percent of covered payroll. For the year ended September 30, 2007, the City contributed $323,000 to the plan. Administrative cost of DIP are financed through investment earnings.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if

paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date 07/01/06	
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	20 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.5 percent
(Includes an inflation assumption of 4.5 percent)	
Pay progression	5.5 percent

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2007 (in thousands):

	Net Assets
Assets	
Investments	$417
Total assets	$417
Net assets, held in trust for	
Other postemployment benefits	$417

	Changes in Net Assets
Additions	
Employer contributions	$323
Net appreciation in fair value	
Of investments	28
Total additions	$ 351
Deductions	
Benefits	278
Plan Administration	8
Total deductions	286
Increase in net assets	65
Net assets, October 1, 2006	352
Net assets, September 30, 2007	$ 417

Retiree Health Insurance

The City provides postretirement health care benefits to eligible employees who retire from the City with at least 10 years of service with the City of Arlington. Currently, 508 retirees meet those eligibility requirements. Retirees may select either one or a combination of the following benefit plans offered by the City – medical, dental and/or vision coverage. Participants under age 65 may select from three EPO plans. Effective January 1, 2005, participants age 65 and over had the additional option to enroll in Medicare supplemental AARP Plans F or J. Effective January 1, 2007 post-65 retirees enrolled in both Medicare Part A & B had the option to enroll in Secure Horizons or AARP Plan K to supplement their Medicare coverage. The Secure Horizon plan includes Medicare Part D and AARP Plan K participants were offered the UHC Medicare Part D plan option. The City plan has a non-duplication coordination of benefits with Medicare and other primary plans for retirees and/or their dependants. During the year, expenditures of $1,887,352 were recognized for postretirement health care.

7. DEBT AND LIABILITES

General Short-Term Debt

During fiscal 2005, the City authorized a $30,000,000 commercial paper program for interim funding of general obligation debt. During fiscal year 2007 the City issued $12,000,000 of commercial paper with interest rates ranging from 3.60 percent to 3.78 percent. This debt will mature on various days over the next several months.

General short-term debt balances and transactions for the year ended September 30, 2007 are as follows (amounts in thousands):

	Balance, October 1, 2006	Additions	Retirements and Other	Balance, September 30, 2007
Commercial Paper	$2,000	$12,000	$ -	$14,000

General Long-Term Debt

The City received a determination in 2002 by the State of Texas Comptroller's office that the City had received $2,228,186 in sales tax receipts from the Comptroller's office in error over the past several years. The Comptroller's office agreed to allow the City to repay the excess sales tax revenue interest free over a period of ten years through reduced sales tax allocations from the state. The state began withholding $18,568 monthly from the City's sales tax allocations beginning in March 2003. The withholding is allocated between the General Fund for $12,427 per month and the ASFDA for $6,140 per month. As of September 30, 2007, this liability is reported at $782,958 in the governmental activities and $386,862 in the component units of the statement of net assets. Beginning in 2003, as sales tax allocations were reduced monthly, the City recorded an expense at the fund level and recorded sales tax revenue for the amount of the monthly sales tax allocation withheld by the Comptroller's office. The City also recorded a fund liability to the extent that sales tax revenues are recognized and accrued at year-end.

General long-term and special obligation debt balances and transactions and other long term obligations for the year ended September 30, 2007 are as follows (amounts in thousands):

	Balance, October 1, 2006	Additions	Retirements and Other	Balance, September 30, 2007	Due Within One Year
General obligation debt [1]	$226,760	$ -	($20,885)	$205,875	$20,015
Special tax revenue debt [2]	297,990	-	-	297,990	-
Certificates of obligation [1]	25,935	-	(3,530)	22,405	3,385
Premium on general bonds	5,796	-	(661)	5,135	-
Premium on special bonds	6,865	-	(377)	6,488	-
Deferred loss on refunding	(3,018)	-	544	(2,474)	-
Accrued compensated absences	23,427	3,469	(1,303)	25,593	1,276
Capital lease obligation	2,260	78	(611)	1,727	560
Arbitrage rebate	45	925	-	970	-
Claims payable	10,444	4,963	(5,815)	9,592	6,413
Landfill Closure Liability	4,722	-	(211)	4,511	-
Sales tax payable	932	-	(149)	783	149
Total	$602,158	$9,435	($32,998)	$578,595	$31,798

(1) The general obligation debt of $228,280 consists of serial and term bonds and certificates of obligation payable from general property taxes. The bonds mature annually in varying amounts through fiscal year 2026, and interest is payable semiannually at rates ranging from 2.50 percent to 7.375 percent.

The principal and interest requirements of the above general obligation debt at September 30, 2007 are as follows (amounts in thousands):

Fiscal Year	Principal	Interest	Total
2008	$ 23,400	$ 10,923	$ 34,323
2009	21,510	9,822	31,332
2010	20,160	8,794	28,954
2011	20,160	7,852	28,012
2012	19,610	6,887	26,497
2013-2017	80,005	21,429	101,434
2018-2022	38,095	5,877	43,972
2023-2026	5,340	421	5,761
	$228,280	$72,005	$300,285

General obligation debt authorized and unissued as of September 30, 2007, amounted to $84,160,000. This includes $16,000,000 in unissued commercial paper.

(2) The special obligation debt of $297,990 consists of tax exempt special tax bonds and taxable special tax and revenue bonds. The bonds, together with excess funds and interest, provided for the City's share of project costs for the Cowboy's Stadium. The Series A and C bonds mature annually in varying amounts through fiscal year 2035, and interest is payable semiannually at rates ranging from 3.0 percent to 5.0 percent. The Series B bonds interest in payable monthly. See note 11.

The principal and interest requirements of the above special obligation debt at September 30, 2007, are as follows (amounts in thousands):

Fiscal Year	Principal	Interest	Total
2008	$ -	$ 12,389	$ 12,389
2009	4,950	12,389	17,339
2010	5,230	12,220	17,450
2011	7,415	12,033	19,448
2012	7,695	11,757	19,452
2013-2017	39,845	54,117	93,962
2018-2022	4,460	48,648	53,108
2023-2027	-	48,311	48,311
2028-2032	30,500	47,567	78,067
2033-2036	197,895	21,103	218,998
	$297,990	$280,534	$578,524

Debt of the Enterprise Funds

The City issued $24,000,000 of Water and Wastewater System Revenue Bonds, Series 2007 during 2007 at an effective interest rate of 4.53 percent and will mature on June 1st of each year over a period from 2008 to 2027. Interest is payable June 1 and December 1 of each year commencing on December 1, 2007. Total interest requirements for these bonds, at rates ranging from 4.25 percent to 5.00 percent, aggregate $11,165,000. The bond proceeds were used to improve and extend the water and wastewater system.

The revenue bonds of the Enterprise Funds are payable from operations of the Water and Sewer Fund. The bonds mature annually in varying amounts through fiscal year 2027, and interest is payable semiannually at rates ranging from 2.375 percent to 6.0 percent. Debt balances and transactions for the year ended September 30, 2007, are as follows (amounts in thousands):

	Balance, October 1, 2006	Additions	Retirements and Other	Balance, September 30, 2007	Due Within One Year
Waterworks and Sewer System-					
Revenue bonds	$84,510	$24,000	($9,510)	$99,000	$8,230
Deferred loss on refunding	(496)	-	58	(438)	-
Compensated Absences	1,660	340	(112)	1,888	113
Total	$85,674	$24,340	($9,564)	$100,450	$8,343

The revenue bonds are collateralized by the revenue of the water and sewer system and assets of various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is first to be used to pay operating and maintenance expenses of the system and secondly to establish and maintain the special funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions, which restrict the issuance of additional revenue bonds unless the special funds noted above contain the required amounts calculated in accordance with provisions of the existing bond ordinances and certain financial ratios are met.

The principal and interest requirements at September 30, 2007, for the enterprise fund debt for the next five years and thereafter, are as follows (amounts in thousands):

Fiscal Year	Principal	Interest	Waterworks and Sewer System Revenue Bonds
2008	$ 8,230	$ 4,083	$ 12,313
2009	8,190	3,999	12,189
2010	8,145	3,666	11,811
2011	7,495	3,342	10,837
2012	7,155	3,027	10,182
2013-2017	30,070	10,625	40,695
2018-2022	21,145	4,488	25,633
2023-2027	8,570	963	9,533
	$99,000	$34,193	$133,193

Long-Term Debt of the Discretely Presented Component Units

As part of the Incremental Funding, as defined in the Agreement, on February 2, 1993, the ASFDA authorized the issuance of $20,124,000 Junior Lien Revenue Bonds, First Series (the "Bonds"). The Bonds are noninterest-bearing limited special obligations of the ASFDA, secured by a subordinated junior lien on the one-dollar ticket surcharge of up to $2,000,000 annually. The Bonds are due on December 31, 2008, and are callable at any time at the option of the ASFDA. As of September 30, 2007, $17,179,900 in Bonds were outstanding. Proceeds from the Bonds were used toward the development of the Texas Rangers sports facility.

The special obligation debt balance and other long term obligation at September 30, 2007, is as follows (amounts in thousands):

	Principal	Interest	Total
Special Obligation Debt	$17,180	$ -	$17,180
Sales Tax Payable	313	-	313
	$17,493	$ -	$17,493

8. PRIOR YEAR BOND REFUNDINGS

In prior years, the City legally defeased certain general obligation, revenue, and other bonds by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's report. As of September 30, 2007, previously defeased debt still outstanding amounted to $52,270,000.

9. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2007, is as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General Fund	$3,277	$ -
Nonmajor Funds	-	3,277
	$3,277	$3,277

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2008.

Transfers between funds during the year were as follows (amounts in thousands):

	Transfers Out	Transfers In
Major Governmental Funds:		
General Fund	$ 13,159	$ 6,673
Debt Service Fund	84	2,131
Stadium Venue Fund	-	84
Gas Lease	-	5,020
Street Capital Projects	124	1,244
Total Major Governmental Funds	13,367	15,152
Water and Sewer Fund	6,520	-
Nonmajor Funds	3,292	4,214
Internal Service Funds	-	3,813
Total All Funds	$23,179	$23,179

The combined Water and Sewer, and Convention and Event Services transferred $3,517,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred $3,963,000 to Street Maintenance Fund, Special Transportation (Handitran), Arlington Property Finance Authority and other special revenue funds to cover budgeted operating expenses.

The General Fund transferred $5,020,000 to the special revenue Gas Lease funds to cover budgeted operating expenses.

The other General Fund transfers were to cover budgeted operating expenses in other funds.

The Debt Service Fund transferred $84,000 in revenue not required for debt service to the Stadium Venue Fund for construction.

The Debt Service Fund received budgeted transfers of $2,243,000 from the Convention and Event Services, Water and Sewer and Park Performance Funds to cover debt service repayments.

10. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

The City accounts for its landfill closure and post-closure care costs in accordance with GASB No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs."

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. In 2004 the City received a permit for vertical expansion which increased the capacity and the life of the landfill. The $4,511,000 reported as a landfill closure and post-closure accrued liability at September 30, 2007, represents the cumulative amount reported to date based on the use of approximately 55 percent of the estimated capacity of the active cells of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $3,713,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2007. The City expects to close the landfill in 2028. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for a 20 year renewable operating lease of the landfill. The City received an initial payment of $15 million, $6 million of which was for the purchase of the City's dirt inventory. The remaining $9 million was recorded as deferred revenue and will be amortized over the life of the lease. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2007, cash and cash equivalents are held for these purposes.

11. COMMITMENTS AND CONTINGENCIES

Trinity River Authority

The City entered into a 50 year contract dated October 10, 1973, with the Trinity River Authority (TRA) whereby the TRA agrees to provide supplemental sewage treatment for consideration. Payments by the City are based on metered usage, at rates designed to charge the City a pro rata share of the TRA's annual operating and maintenance expenses, and principal and interest requirements on bonds issued by the TRA.

Grant Audits

The City receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

Construction Commitments

The City has various active construction projects as of September 30, 2007. The projects include street construction, park construction, police construction, traffic construction, and the construction of water and sewer facilities. At year-end the City's commitments with contractors are as follows (amounts in thousands):

Project	Spent-to-Date	Remaining Commitment
Street Construction	$ 46,120	$ 10,734
Park Construction	16,232	3,056
Police Construction	6,490	5,792
Traffic Construction	7,229	1,524
Water and Sewer Construction	73,780	16,491
Stadium Venue	371,745	4,266
	$521,596	$41,863

The street, police and traffic construction projects are funded primarily by permanent improvement bonds proceeds. The park construction projects are funded by permanent improvement bond proceeds, certificate of obligation proceeds, and park fee revenues. Water and sewer construction projects are funded by revenue bond proceeds and cash from operating revenues of the water and sewer system.

Litigation

The City is currently involved in an employment lawsuit in wherein the plaintiff alleges that his termination violated the Family Medical Leave Act and the case was tried to a jury in April 2004. Judgment in the amount of $1.1 million was rendered against the City. The case was appealed to the Fifth Circuit. On June 30, 2006, the Fifth Circuit affirmed the liability portion of the judgment and remanded the damages portion to the district court to apply an offset for benefits received from the City. Meanwhile, it was learned that the plaintiff filed bankruptcy prior to his appeal and failed to disclose the trial court judgment to the bankruptcy court. The bankruptcy case has been reopened and the bankruptcy trustee now owns the claim. The City of Arlington has a claim that the plaintiff (and therefore the trustee) is judicially estopped from pursuing the judgment. A motion on the matter is before the District Court at this time. It is anticipated that the ruling will be appealed by the non-prevailing party. Damages in the event of failing to prevail on the legal issues are not anticipated to exceed $800,000.

The City is currently involved in an American with Disabilities Act discrimination lawsuit, in which the plaintiffs allege that they are discriminated against because of the condition of curb ramps and sidewalks in the public rights of way in the City of Arlington. The City contends that the City is in compliance with the ADA. The City is vigorously contesting this case which is still in the early pleading stages of litigation. A motion to dismiss is pending. The range of exposure to the City in the event of a jury verdict is inestimable. The probability of an unfavorable outcome cannot be determined at this time.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA limitations (see Note 11) of insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position, as a whole.

Derivative Instruments

Objective of the swap. The City of Arlington, Texas (the "City") issued its variable-rate Dallas Cowboys Complex Tax-Exempt Special Tax Bonds, Series 2005B (Multi-Modal) (the "Bonds") on September 1, 2005 in the amount of $164,265,000, for the governmental purpose of the planning, acquisition, establishment, development and construction of the Dallas Cowboys Complex. In anticipation of the Bonds' issuance, on July 25, 2005 the City entered into two separate pay-fixed, receive-variable interest rate swaps (collectively, the "Swaps"). The variable rate the City will receive under the Swaps is The Bond Market Association ™ Municipal Swap Index, which is expected to closely approximate the variable interest rate of the Bonds. The City entered into the Swaps to synthetically fix the rate payable on the Bonds for an established period, and thus manage its interest rate risk while obtaining a lower fixed interest rate than would have been available for similar fixed-rate debt obligations. The Swaps will terminate on September 1, 2016, at which point the City will face an unhedged variable interest rate exposure on the Bonds, unless an additional swap or swaps are procured on or before that time, or if, as is the City's intention, the City begins retiring the Bonds at that time. The Swaps were entered into in equal notional amounts of $82,132,500 with JPMorgan Chase Bank, N.A. and $82,132,500 with UBS AG, Stamford Branch (collectively, the "Counterparties").

Terms, fair values, and credit risk. The terms, including the fair values and credit ratings of the Swaps, as of September 30, 2007, are included below. The City's Swaps contain one scheduled reduction to the outstanding notional amounts on September 1, 2013 from $82,132,500 to $57,527,500. This notional reduction is expected to approximately follow scheduled or anticipated reductions in the associated bonds payable.

Associated Bond Issue	Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values	Swap Termination Date	Counterparty Credit Rating (Moody's/S&P/Fitch)
Series 2005B	$82,132,500	9/1/2005	3.719%	BMA	($731,779.98)	9/1/2016	(Aa2/AA/AA)
Series 2005B	$82,132,500	9/1/2005	3.719%	BMA	($730,719.97)	9/1/2016	(Aa2/AA/AA)
					($1,462,499.95)		

Fair value. The Swaps had a negative fair value as of September 30, 2007 of ($1,462,499.95). This fair value takes into consideration the prevailing interest rate environment, and the specific terms and conditions of the transaction. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the Swaps, assuming that the current forward tax-exempt rates implied by the BMA yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the taxable spot rates implied by the current London Interbank Offered Rate ("LIBOR") yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the Swaps.

Credit risk. As of September 30, 2007, the City was not exposed to credit risk on its Swaps because the Swaps had a negative fair value. However, should interest rates change and the fair values of the Swaps become positive, the City would be exposed to credit risk in the amount of the derivatives' fair value. The credit ratings of JPMorgan Chase Bank, N.A. are Aa2/AA-/AA-, and of UBS AG, Stamford Branch are Aa2/AA+/AA+ by Moody's/S&P/Fitch respectively.

The Swap agreements contain collateral provisions with the Counterparty. The Swaps require collateralization of the fair value of the Swaps should the Counterparty's credit ratings fall below A2 by Moody's or A by S&P. This protects the City by mitigating credit risk inherent in the Swaps. Collateral on the Swaps is to be in the form of cash or negotiable debt obligations (other than interest-only obligations) issued by the U.S. Treasury Department and held by a third-party custodian.

Basis risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate Bonds to bondholders differs from the variable swap rate received from the Counterparty. The City bears basis risk on its Swaps. The Swaps have basis risk since the City receives BMA to offset the actual variable Bond rate the City pays on its Bonds. The City is exposed to basis risk should the floating rate that it receives on a Swaps be less than the actual variable rate the City pays on the Bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected overall synthetic fixed rate from the Swaps may not be realized.

Termination risk. The City or the Counterparty may terminate the Swaps if the other party fails to perform under the terms of the respective contracts. If the Swaps are terminated, the associated variable-rate Bonds would no longer be hedged to a fixed rate. The City has a swap insurance policy in place with MBIA Insurance Corporation (the "Insurer"), which mitigates its exposure to termination risk. The City will not be required to post collateral as long as the Insurer's credit ratings do not fall below A2 by Moody's or A by S&P. As of September 30, 2007, the Insurer's credit ratings were AAA by Moody's and AAA by S&P. If at the time of termination the Swaps have a negative fair value, the City would be liable to the Counterparty for a payment equal to the Swaps' fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City.

Rollover Risk. The City is exposed to rollover risk because the Swaps mature prior to the stated maturity date of the related Bonds. The Swaps mature on September 1, 2016, and the Bonds mature on August 15, 2035. If new swaps are not put in place, the associated variable-rate Bonds would no longer be hedged to a fixed rate. The City anticipates having revenue to enable it to begin paying off some or all of the Bonds prior to the stated maturity date, which would reduce this risk.

Swap payments and associated debt. As of September 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Dallas Cowboys Complex Special Obligations, Series 2005B

Fiscal Year Ended September 30	Principal	Interest	Interest Rate Swaps, Net	Total
2008	$ -	$ 6,455,615	($346,599)	$ 6,109,016
2009	-	6,455,615	(346,599)	6,109,016
2010	-	6,455,615	(346,599)	6,109,016
2011	-	6,455,615	(346,599)	6,109,016
2012	-	6,455,615	(346,599)	6,109,016
2013-2017	-	32,278,073	(1,046,014)	31,232,059
2018-2022	-	32,278,073	-	32,278,073
2023-2027	-	32,278,073	-	32,278,073
2028-2032	-	32,278,073	-	32,278,073
2033-2035	164,265,000	18,828,876	-	183,093,876
Total	$ 164,265,000	$ 180,219,243	($2,779,009)	$ 341,705,234

12. DALLAS COWBOYS COMPLEX DEVLEOPMENT PROJECT

In November of 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the Dallas Cowboys Complex Development Project (Complex), approving an increase in the City's sales tax of ½ cent, a two percent increase in the hotel occupancy tax and a five percent short-term motor vehicle rental tax. The Complex will be a multi-functional enclosed facility with a retractable roof and seating for approximately 80,000. In accordance with the funding and closing agreement, the City of Arlington will pay half, up to $325 million, to build the Complex. The Complex is anticipated to be completed by the summer of 2009.

Stadium Lease - As part of the closing agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (tenant) for lease of the Complex. The lease calls for an initial term of 30 years, after the new stadium opens, at a rental rate of $2,000,000 per year. The lease contains several renewal options at guaranteed annual rental payments of $1,000,000 per year for the first 10-year option and $1,250,000 per year for all remaining renewals. The lease also provides the tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the tenant, capped at $500,000 per year. The lease is accounted for as an operating lease.

City Debt - On July 15, 2005 the City issued $297,990,000 Dallas Cowboy Complex Special Obligations pledging the ½ cent sales tax, two percent hotel occupancy tax and five percent car rental tax along with base rental revenue and five percent of the naming rights revenue. The proceeds of this bond sale, along with interest earnings and excess revenues, will provide the City's funding for the project. Series A and C of the Dallas Cowboy Complex Special Obligations are fixed rate debt totaling $133,725,000. The Series B of the Dallas Cowboy Complex Special Obligations are variable debt totaling $164,265,000. The variable rate Series B are hedged with two interest rate swaps as described in footnote 11.

Conduit Debt - On July 11, 2006, $147,865,000 of Dallas Cowboy Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2006 were issued with a pledge of a 10% admissions tax and a $3 parking tax for events held at the Cowboys Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium, L.P. The proceeds of this bond sale, along with interest earnings, will provide a portion of the Cowboy's funding for the complex, as well as capitalized interest, a reserve, and various costs of issuance and insurance. The bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources. The bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported as a liability in the City's financial statements but are disclosed here as conduit debt.

Franchise - The City and the Dallas Cowboys Football Club, LTD. entered into a franchise agreement that requires the Dallas Cowboys NFL football franchise to remain in Arlington and to play all of the team's home games in the Complex for a minimum of 30 years after the stadium opens. If the lease renewal options are exercised, the Cowboys' obligation to stay in Arlington is extended for the renewal term.

13. RISK MANAGEMENT

The City's risk management activities are administered through various internal service funds.

Arlington Property Finance Authority (APFA)

The APFA was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by ordinance or resolution of the City Council. In October 1986, the City Council adopted an ordinance to establish the City's Self-insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for bodily injury, property damage, personal injury, advertising injury, and regulatory injury.

For fiscal year 2006, a $1,384,000 transfer was made from the Worker's Compensation fund to provide for an ending fund balance equal to one year ultimate loss estimate which will protect against unexpected fluctuations in cost or reserve needs. Annual transfers from the General Fund and the Water Fund based on actuarial projections of Ultimate Losses, are made to support the program. Under the Program Ordinance, the annual surplus on deposit in the APFA Fund may be withdrawn upon order of the City's APFA Claims Board and used for any lawful purpose. The payments out of the APFA Fund for all purposes cannot exceed $1,000,000 per occurrence and $3,000,000 in aggregate in one annual period. Should claims exceed this amount, the excess claims are to be funded by other available City resources.

The APFA claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 3.5 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately $2,578,000 at September 30, 2007.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of $300,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. No settlements have utilized this commercial insurance coverage for the past three years. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 5.0 percent. These liabilities are reported in the accompanying financial statements at their present value of approximately $4,699,000 at September 30, 2007.

Group Health

Group medical benefits are paid through the Group Health Fund. Revenues are recognized from payroll deductions and from City contributions for employee and dependent coverage.

The year-end liability for incurred but not reported claims is reported in the accompanying financial statements at the present value of approximately $2,315,000 at September 30, 2007.

Changes in the balances of claims liabilities during fiscal 2007 and 2006 were as follows (amounts in thousands):

Fiscal 2007	October 1	Claims and Changes in Estimates	Claim Payments	September 30
APFA	$ 3,338	$ (468)	$ (292)	$ 2,578
Workers' Compensation	4,406	3,195	(2,902)	4,699
Group Health	2,700	16,363	(16,748)	2,315
	$10,444	$19,090	($19,942)	$9,592
Fiscal 2006				
APFA	$ 2,559	$ 2,093	$ (1,314)	$ 3,338
Workers' Compensation	6,034	(1,039)	(589)	4,406
Group Health	2,926	17,545	(17,771)	2,700
	$11,519	$18,599	($19,674)	$10,444

14. LEASES

A. As Lessee

As lessee, the City is committed under various leases for data processing and office equipment. These leases are considered for accounting purposes to be capital leases. The liability for future capital lease payments totals $1,727 and is reported as capital lease obligations current liabilities ($560) and capital lease obligations non-current liabilities ($1,167) in the General Services Fund and the Court Technology Fund.

Future minimum lease payments for capital leases including interest and principal are as follows (amounts in thousands):

Year ending September 30, 2007	Rental Payments
2008	$ 713
2009	682
2010	310
2011	153
Total minimum future lease payments	1,858
Less: Amount representing interest	(131)
Present value of net minimum lease payments	$1,727

The City's investment in equipment under capital lease arrangements as of September 30, 2007 is $3,170,000.

The City is also committed under various leases for data processing, office equipment and machinery. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the fiscal year ended September 30, 2007, amounted to $64.

Future minimum lease payments for these leases are as follows (amounts in thousands):

Year ending September 30	Rental Payments	Governmental Activities	Business-type Activities
2008	2	2	0
	$2	$2	$0

B. As Lessor

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel, commercial and office complex and business park. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, and throughout the remainder of the lease term, annual rental payments shall be the greater of 0.5 percent of gross revenues or an aggregate of $750,000. Total rental payments received in 2007 were approximately $243,000.

15. DISPUTE SETTLEMENT AGREEMENT

On April 27, 1999, the ASFDA and the City entered into a Dispute Settlement Agreement and Agreement Not To Pursue Claim (the "Dispute Settlement Agreement") with the Texas Rangers baseball club (the "Rangers"). The Dispute Settlement Agreement relates to the amount of costs of acquiring certain tracts of land for the Project, which the ASFDA and the City alleged should be paid by the Rangers (the "Claim").

The Dispute Settlement Agreement requires the Rangers to make annual installment payments, without interest, to the Authority on or before December 31 of each year as follows:

Year	Amount
2007	$ 800,000
2008	800,000
2009	800,000
2010	900,000
2011	1,000,000
2012to 2016	5,000,000
2017 to 2021	5,000,000
2022 to 2024	3,000,000
	17,300,000
Less Discount	6,301,000
	$10,999,000

The payment in 2024 is due on or before March 1. By entering into this agreement, the ASFDA and the City agreed to release and discharge the Rangers from the Claim.

16. CAPITAL LEASE

A lease agreement was executed on June 23, 1992 between the Texas Rangers, Ltd. (the Rangers) and the ASFDA for the Ballpark Complex Development (the Facility). The lease is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. The Rangers agreed to pay a base rent of $2,000,000 per year for the 30-year term of the lease. Upon retirement or defeasance of the debt, the Rangers have the option to purchase the Facility, excluding the linear park, at a cost of $60,000,000, with full credit given for all base and additional rents paid, as well as up to $1,500,000 annual credit for maintenance costs paid on the Facility by the Rangers. If the purchase option is exercised, the Rangers are committed to play baseball in the City for ten additional years.

Pursuant to applicable accounting standards, the lease of the Facility to the Rangers has been accounted for as a capital lease in the component unit, ASFDA. Accordingly, a lease receivable has been established representing the future expected lease proceeds and the capital assets have been removed from the accounts of the ASFDA. As of September 30, 2007 the lease receivable balance was $18,390,658.

Minimum future rentals are as follows:

September 30	
2008	$ 2,000,000
2009	2,000,000
2010	2,000,000
2011	2,000,000
2012	2,000,000
2013-2017	10,000,000
2018-2022	10,000,000
2023-2024	3,055,556
	33,055,556
Less Discount	14,664,898
Minimum future lease rentals	$18,390,658

17. CONDENSED COMPONENT UNIT INFORMATION

The City includes five component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2007, for all discretely presented component units is as follows (amounts in thousands):

Condensed Statement of Net Assets

	Arlington Sports Facilities Development Authority, Inc.	Housing Authority	Nonmajor Discretely Presented Component Units	Total Discretely Presented Component Units
Current and other assets	$44,206	$11,364	$503	$56,073
Capital assets	1,261	440	245	1,946
Total assets	45,467	11,804	748	58,019
Long-term liabilities outstanding	17,493	-	-	17,493
Other liabilities	793	1,482	131	2,406
Total liabilities	18,286	1,482	131	19,899
Net assets:				
Invested in capital assets, net of related debt	1,260	440	213	1,913
Restricted	13,893	-	-	13,893
Unrestricted	12,028	9,882	404	22,314
Total net assets	$27,181	$10,322	$617	$38,120

Condensed Statement of Activities

	Arlington Sports Facilities Development Authority, Inc.	Housing Authority	Nonmajor Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	$ 3,557	$22,895	$3,318	$29,770
Program Revenues:				
Charges for services	2,571	-	2,849	5,420
Operating grants and contributions	-	23,050	432	23,482
Net Program (Expense) Revenue	(986)	155	(37)	(868)
Interest Revenues	1,979	95	26	2,100
Other NonTax General Revenues	151	248	1	400
Change in Net Assets	1,144	498	(10)	1,632
Net Assets, October 1,	26,037	9,824	627	36,488
Net Assets, September 30	$27,181	$ 10,322	$ 617	$38,120

Conduit Debt- Mortgage Revenue Bonds

The Arlington Housing Finance Corporation issues Single Family Revenue Bonds. The proceeds of the bonds are placed in trust to be used for the origination of qualifying single-family mortgages or to refund, at any time, bonds previously issued by Arlington Housing Finance Corporation. The bonds are to be paid only from the funds placed in trust, and these funds can be used only for purposes specified in the bond indenture. Arlington Housing Finance Corporation is liable to the bondholders only to the extent of the related revenues and assets pledged under the indenture. Therefore, these transactions are accounted for as conduit debt, and the principal amount of the bonds outstanding and assets held by the trustee are not reflected on the face of the financial statements.

At September 30, 2007, outstanding conduit debt was as follows:

Bond Series	Original Issue Amount	Outstanding Amount
Arlington 02	$3,425,000	$970,000
Arlington 02 Reset	2,095,000	1,325,000
Arlington 03B	12,375,000	4,352,577
Arlington 06	12,857,000	12,809,848
Total	$30,752,000	$19,457,425

18. SUBSEQUENT EVENTS

In October 2007, the City issued Permanent Improvement Bonds, Series 2007 of $18.1 million with an interest rate range of 4.0 to 5.5 percent and serial maturities through FY 2027 for various permanent public improvements in the City. The City also issued Combination Tax and Revenue Certificates of Obligation, Series 2007 of $7.2 million with an interest rate range of 4.0 to 5.0 percent and serial maturities through FY 2027 for various permanent improvements in the City.

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - TMRS
LAST THREE FISCAL YEARS (Unaudited)

The following table discloses certain three-year historical trend information presenting the City's progress in accumulating sufficient assets to pay benefits when due (amounts expressed in thousands, except for percentages):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL (UAAL)	Funded Percent	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/04	$342,453	$444,422	$(101,969)	77.1%	$115,074	88.6%
12/31/05	334,823	447,440	(112,617)	74.8%	113,823	98.9%
12/31/06	342,866	466,521	(123,755)	73.4%	118,938	104.05%

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - PART-TIME DEFERRED INCOME TRUST
LAST THREE FISCAL YEARS (Unaudited)

The following table discloses certain three-year historical trend information (amounts expressed in thousands, except for percentages):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Excess Funded AAL (EAAL)	Funded Percent	Annual Covered Payroll	EAAL as a Percentage of Covered Payroll
7/1/04	$ 1,039	$ 914	$125	113.7%	$2,415	5.2%
7/1/05*	1,193	985	208	121.1%	2,487	5.2%
7/1/06	1,270	1,056	214	120.3%	2,558	8.4%

* Valuation results for 7/1/2005 were estimated based on 7/1/2004 and 7/1/2006 valuations. An actuarial valuation was not performed as of 7/1/2005

CITY OF ARLINGTON, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS - DISABILITY INCOME PLAN
LAST THREE FISCAL YEARS (Unaudited)

The following table discloses certain three-year historical trend information (amounts expressed in thousands, except for percentages):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Funded Ratio	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/02	$288	$3,104	9.3%	$(2,816)	$104,055	2.7%
7/1/04	286	2,960	9.7%	(2,674)	102,013	2.6%
7/1/06	349	2,633	13.3%	(2,284)	105,480	2.2%

An actuarial valuation was not performed as of 7/1/2003 or 7/1/2005.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

FEDERAL TRANSIT ADMINISTRATION FUND - This fund accounts for money received from the Urban Mass Transportation Administration and related expenditures for the operation of a transportation system for the elderly and handicapped and various capital expenditures for transportation related projects.

STREET MAINTENANCE FUND - This fund accounts for money received from the Street Maintenance Fee to be used for the maintenance, rehabilitation, and repair of existing city streets.

DOWNTOWN TAX INCREMENT FINANCING - This fund was established to facilitate redevelopment in the downtown area.

TEXAS DEPARTMENT OF TRANSPORATION FUND - This fund accounts for money received from the State Department of Highways and Public Transportation and summarizes related expenditures for statewide transportation enforcement programs.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - This fund accounts for money received from the Federal Department of Housing and Urban Development through the block grant program. These funds are used to help the City as a whole and specific sectors for various projects as allowable in the grant funding guidelines.

HOME INVESTMENT PARTNERSHIP FUND - This fund accounts for money received from the Federal Department of Housing and Urban Development through the HOME program grant. These funds are to expand the supply of decent, affordable housing for the low and very-low income families in Arlington.

FEDERAL EMERGENCY MANAGEMENT AGENCY FUND - This fund accounts for money received from the Department of Homeland Security. These funds are used to support the Emergency Operations Center.

TEXAS CRIMINAL JUSTICE DIVISION FUND - This fund accounts for money received from the State of Texas Criminal Justice Division and related expenditures for various law enforcement and criminal justice related projects.

PARK PERFORMANCE FUND - This fund accounts for the revenues and expenditures from golf and other recreational activities.

CONVENTION AND EVENT SERVICES FUND - This fund accounts for the operations of the Convention Center.

OTHER SPECIAL REVENUE FUNDS - Other Special Revenue Funds consist of special revenue funds which are individually insignificant to the Special Revenue Fund's assets, liabilities, revenues, expenditures, and fund balance as a whole. These funds are the Texas Department of Aviation, Federal Drug Enforcement Administration, North Central Texas Council

of Governments, Emergency Physicians' Advisory Board, Emergency Shelter Grant, Arlington Telecable, Texas Commission on the Arts, Law Enforcement Officers Standards and Education, Court Security, Court Time Payment, Police Restricted Fund, Local Law Enforcement Block Grant, Court Technology Fund, Texas State Library, Gifts and Donations, Auto Theft Prevention, Infrastructure Maintenance Reserve, Historic Preservation, Motor Carrier Violations, US Army Corps of Engineers, Supportive Housing Fund, Texas Parks and Wildlife, and Texas Historical Commission.

CAPITAL PROJECTS FUNDS

MUNICIPAL OFFICE FACILITIES CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for expenditures connected with the planning, construction, and refurbishing of various municipal office buildings.

POLICE CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction and other capital project expenditures related to building police stations and funding other police related projects.

FIRE CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction and other capital project expenditures related to building fire stations and funding other fire prevention related projects.

LIBRARY CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction and other capital project expenditures related to building branch libraries, acquiring additions to the library collection and funding library related projects.

STORMWATER UTILITY CAPITAL PROJECTS FUND - The purpose of this fund is to account for the construction and maintenance of the City's storm sewers.

PARK CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for parkland acquisition, construction of swimming pools, and other park and recreation related construction, as well as various other park and recreation related projects.

TRAFFIC CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for construction of the City's streetlight and traffic signal systems, to perform thoroughfare analysis and to design and install various other traffic related projects.

AIRPORT CAPITAL PROJECTS FUND - The primary purpose of this fund is to account for terminal expansion, runways, or other airport construction and related projects.

CITY OF ARLINGTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Special Revenue					
	Federal Transit Administration	**Street Maintenance**	**Downtown TIF**	**Texas Department of Transportation**	**Community Development Block Grant**	**Home Investment Partnership**
ASSETS						
Cash and cash equivalents	$ -	$ 11,791	$ 4,173	$ -	$ 434	$ -
Receivables (net of allowances for uncollectibles)						
Taxes	-	-	-	-	-	-
Sales taxes	-	2,061	-	-	-	-
Other	-	6	-	-	632	-
Inventory, at cost	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Due from other governments	411	-	-	874	180	1,123
Total Assets	$ 411	$ 13,858	$ 4,173	$ 874	$ 1,246	$ 1,123
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and accrued liabilities	$ 104	$ 932	$ 204	$ 92	$ 138	$ 33
Retainage payable	-	5	-	-	4	26
Due to other funds	307	-	-	782	340	1,051
Deferred revenue	-	-	-	342	945	369
Commercial paper	-	-	-	-	-	-
Total Liabilities	411	937	204	1,216	1,427	1,479
FUND BALANCES						
Reserved for encumbrances	-	7,308	-	-	-	-
Reserved for inventory	-	-	-	-	-	-
Reserved for prepaids	-	-	-	-	-	-
Reserved for capital projects	-	-	-	-	-	-
Reserved for street maintenance	-	3,568	-	-	-	-
Reserved for court technology	-	-	-	-	-	-
Reserved for juvenile case manager	-	-	-	-	-	-
Unreserved-						
Designated for working capital	-	2,045	-	-	-	-
Designated for special revenue funds	-	-	3,969	-	-	-
Designated for Central Plaza	-	-	-	-	-	-
Designated for capital maintenance	-	-	-	-	-	-
Undesignated	-	-	-	(342)	(181)	(356)
Total Fund Balance	-	12,921	3,969	(342)	(181)	(356)
Total Liabilities and Fund Balance	$ 411	$ 13,858	$ 4,173	$ 874	$ 1,246	$ 1,123

	Special Revenue					Capital Projects	
FEMA	Texas Criminal Justice Division	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Police
$ -	$ -	$ 140	$ 814	$ 4,485	$ 4,414	$ 787
-	-	-	1,635	-	-	-
-	-	-	-	-	-	-
-	-	39	49	30	-	-
-	-	197	-	-	-	-
-	-	1	-	-	-	-
637	40	-	-	236	-	-
$ 637	$ 40	$ 377	$ 2,498	$ 4,751	$ 4,414	$ 787
$ 14	$ 4	$ 370	$ 155	$ 31	$ 398	$ 1,861
-	-	-	-	1	224	116
557	36	-	-	204	-	-
212	-	154	477	73	-	-
-	-	-	-	-	-	2,000
783	40	524	632	309	622	3,977
-	-	-	235	161	3,677	-
-	-	197	-	-	-	-
-	-	1	-	-	-	-
-	-	-	-	-	115	-
-	-	-	-	-	-	-
-	-	-	-	188	-	-
-	-	-	-	83	-	-
-	-	-	-	-	-	-
-	-	-	1,170	4,010	-	-
-	-	-	150	-	-	-
-	-	-	311	-	-	-
(146)	-	(345)	-	-	-	(3,190)
(146)	-	(147)	1,866	4,442	3,792	(3,190)
$ 637	$ 40	$ 377	$ 2,498	$ 4,751	$ 4,414	$ 787

CITY OF ARLINGTON, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Capital Projects						
	Fire	Library	Stormwater Utility	Park	Traffic	Airport	Total Nonmajor Governmental Funds
ASSETS							
Cash and cash equivalents	$ 214	$ 894	$ 2,747	$ 13,878	$ 5,725	$ 1,717	$ 52,213
Receivables (net of allowances for uncollectibles)							
Taxes	-	-	-	-	-	-	1,635
Sales tax	-	-	-	-	-	-	2,061
Other	-	-	507	5	-	-	1,268
Inventory, at cost	-	-	-	-	-	-	197
Prepaid expenditures	-	-	-	-	-	-	1
Due from other governments	-	-	-	-	-	-	3,501
Total Assets	$ 214	$ 894	$ 3,254	$ 13,883	$ 5,725	$ 1,717	$ 60,876
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued liabilities	$ 5	$ 129	$ 75	$ 409	$ 41	$ -	$ 4,995
Retainage payable	42	98	30	75	20	-	641
Due to other funds	-	-	-	-	-	-	3,277
Deferred revenue	-	-	-	-	-	-	2,572
Commercial paper	-	-	-	2,000	-	-	4,000
Total Liabilities	47	227	105	2,484	61	-	15,485
FUND BALANCES							
Reserved for encumbrances	33	290	1,430	2,769	1,524	84	17,511
Reserved for inventory	-	-	-	-	-	-	197
Reserved for prepaids	-	-	-	-	-	-	1
Reserved for capital projects	134	377	1,719	8,630	4,140	1,633	16,748
Reserved for street maintenance	-	-	-	-	-	-	3,568
Reserved for court technology	-	-	-	-	-	-	188
Reserved for juvenile case manager	-	-	-	-	-	-	83
Unreserved-							
Designated for working capital	-	-	-	-	-	-	2,045
Designated for special revenue funds	-	-	-	-	-	-	9,149
Designated for Central Plaza	-	-	-	-	-	-	150
Designated for capital maintenance	-	-	-	-	-	-	311
Undesignated	-	-	-	-	-	-	(4,560)
Total Fund Balance	167	667	3,149	11,399	5,664	1,717	45,391
Total Liabilities and Fund Balance	$ 214	$ 894	$ 3,254	$ 13,883	$ 5,725	$ 1,717	$ 60,876

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Special Revenue					
	Federal Transit Administration	**Street Maintenance**	**Downtown TIF**	**Texas Department of Transportation**	**Community Development Block Grant**	**Home Investment Partnership**
REVENUES						
Taxes	$ -	$ 11,525	$ 836	$ -	$ -	$ -
Service charges	156	-	-	-	-	-
Intergovernmental	1,638	-	-	1,033	3,474	1,461
Interest revenue	-	586	181	-	-	-
Net increase (decrease) in the fair value of investments	-	35	12	-	-	-
Contributions	-	-	-	-	-	-
Other	14	84	-	-	427	177
Total Revenues	1,808	12,230	1,029	1,033	3,901	1,638
EXPENDITURES						
Current:						
General government	-	-	283	-	-	-
Public safety	-	-	-	244	-	-
Public works	-	12,490	-	992	-	-
Public health	-	-	-	-	-	-
Public welfare	2,187	-	-	-	4,082	1,880
Parks and recreation	-	-	-	-	-	-
Convention and event services	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Principal retirement	-	-	-	-	-	-
Total Expenditures	2,187	12,490	283	1,236	4,082	1,880
Excess (deficiency) of revenues over (under) expenditures	(379)	(260)	746	(203)	(181)	(242)
OTHER FINANCING SOURCES (USES)						
Transfers in	716	2,301	-	246	-	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources (Uses)	716	2,301	-	246	-	-
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	337	2,041	746	43	(181)	(242)
Fund Balance, October 1	(337)	10,880	3,223	(385)	-	(114)
Fund Balance, September 30	$ -	$ 12,921	$ 3,969	$ (342)	$ (181)	$ (356)

Special Revenue					Capital Projects	
FEMA	Texas Criminal Justice Division	Park Performance	Convention and Event Services	Other Special Revenue	Municipal Office Facilities	Police
$ -	$ -	$ -	$ 5,401	$ 104	$ -	$ -
-	-	7,334	2,418	602	-	-
4,375	142	-	-	641	-	-
-	-	7	74	156	291	9
-	-	-	2	3	15	-
-	-	-	-	-	1,208	-
-	-	2	4	1,558	-	-
4,375	142	7,343	7,899	3,064	1,514	9
-	-	-	-	632	-	-
2,872	185	-	-	1,247	-	-
-	-	-	-	-	-	-
-	-	-	-	308	-	-
-	-	-	-	221	-	-
-	-	7,408	-	124	-	-
-	-	-	5,628	-	-	-
-	-	-	-	559	3,798	3,530
-	-	-	-	-	-	-
2,872	185	7,408	5,628	3,091	3,798	3,530
1,503	(43)	(65)	2,271	(27)	(2,284)	(3,521)
6	43	-	-	819	-	-
-	-	(332)	(1,599)	(340)	-	-
6	43	(332)	(1,599)	479	-	-
1,509	-	(397)	672	452	(2,284)	(3,521)
(1,655)	-	250	1,194	3,990	6,076	331
$ (146)	$ -	$ (147)	$ 1,866	$ 4,442	$ 3,792	$ (3,190)

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Capital Projects						
	Fire	Library	Stormwater Utility	Park	Traffic	Airport	Total Nonmajor Governmental Funds
REVENUES							
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 17,866
Service charges	-	-	2,896	1,122	-	-	14,528
Intergovernmental	-	-	-	-	-	-	12,764
Interest revenue	50	108	155	674	373	100	2,764
Net increase (decrease) in the fair value of investments	2	4	9	41	19	4	146
Contributions	-	-	-	2,756	245	-	4,209
Other	-	-	-	583	-	78	2,927
Total Revenues	52	112	3,060	5,176	637	182	55,204
EXPENDITURES							
Current:							
General government	-	-	-	-	-	-	915
Public safety	-	-	-	-	-	-	4,548
Public works	-	-	-	-	-	-	13,482
Public health	-	-	-	-	-	-	308
Public welfare	-	-	-	-	-	-	8,370
Parks and recreation	-	-	-	-	-	-	7,532
Convention and event services	-	-	-	-	-	-	5,628
Capital outlay	1,282	2,082	3,080	2,711	2,066	166	19,274
Principal retirement	-	-	-	2,000	-	-	2,000
Total Expenditures	1,282	2,082	3,080	4,711	2,066	166	62,057
Excess (deficiency) of revenues over (under) expenditures	(1,230)	(1,970)	(20)	465	(1,429)	16	(6,853)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	-	83	-	-	4,214
Transfers out	-	-	-	(535)	(164)	(322)	(3,292)
Total Other Financing Sources (Uses)	-	-	-	(452)	(164)	(322)	922
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures and other uses	(1,230)	(1,970)	(20)	13	(1,593)	(306)	(5,931)
Fund Balance, October 1	1,397	2,637	3,169	11,386	7,257	2,023	51,322
Fund Balance, September 30	$ 167	$ 667	$ 3,149	$ 11,399	$ 5,664	$ 1,717	$ 45,391

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	
REVENUES						
Taxes	$ 34,420	$ 34,420	$ 58,676	$ (24,894)	$ 33,782	$ (638)
Interest revenue	-	-	2,038	(826)	1,212	1,212
Net increase (decrease) in fair value of investments	-	-	94	(84)	10	10
Other revenue	-	-	113	(113)	-	-
Total Revenues	34,420	34,420	60,921	(25,917)	35,004	584
EXPENDITURES						
Debt Service-						
Principal retirement	24,415	24,415	24,415	-	24,415	-
Interest and fiscal charges	12,434	12,434	25,019	(12,809)	12,210	224
Bond issuance costs	60	60	-	-	-	60
Total Expenditures	36,909	36,909	49,434	(12,809)	36,625	284
Deficiency of Revenues Under Expenditures	(2,489)	(2,489)	11,487	(13,108)	(1,621)	868
OTHER FINANCING SOURCES						
Transfers in	2,243	2,243	2,131	113	2,244	1
Transfers out	-	-	(84)	84	-	-
Total Other Financing Sources	2,243	2,243	2,047	197	2,244	1
Net Change In Fund Balances	(246)	(246)	13,534	(12,911)	623	869
Fund Balances - Beginning	20,639	20,639	20,639	-	20,639	-
Fund Balances - Ending	$ 20,393	$ 20,393	$ 34,173	$ (12,911)	$ 21,262	$ 869

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
CONVENTION AND EVENT SERVICES
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Taxes	$ 4,830	$ 4,830	$ 5,401	$ -	$ 5,401	$ 571
Service charges	2,440	2,440	2,418	-	2,418	(22)
Interest revenue	-	-	74	-	74	74
Net increase (decrease) in the fair value of investments	-	-	2	-	2	2
Other	-	-	4	-	4	4
Total Revenues	7,270	7,270	7,899	-	7,899	629
EXPENDITURES						
Current-						
Convention & event services	5,758	5,908	5,628	19	5,647	261
Total Expenditures	5,758	5,908	5,628	19	5,647	261
Excess (Deficiency) Of Revenues Over (Under) Expenditures	1,512	1,362	2,271	(19)	2,252	890
OTHER FINANCING SOURCES (USES)						
Transfers out	(1,711)	(1,711)	(1,599)	(112)	(1,711)	-
Total Other Financing Sources (Uses)	(1,711)	(1,711)	(1,599)	(112)	(1,711)	-
Net Change In Fund Balances	(199)	(349)	672	(131)	541	890
Fund Balances - Beginning	1,194	1,194	1,194	-	1,194	-
Fund Balances - Ending	$ 995	$ 845	$ 1,866	$ (131)	$ 1,735	$ 890

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
PARK PERFORMANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
REVENUES						
Service charges	$ 7,859	$ 7,859	$ 7,334	$ -	$ 7,334	$ (525)
Other	-	-	2	-	2	2
Interest revenue	-	-	7	-	7	7
Total Revenues	7,859	7,859	7,343	-	7,343	(516)
EXPENDITURES						
Current-						
Parks and recreation	7,729	7,729	7,408	4	7,412	317
Total Expenditures	7,729	7,729	7,408	4	7,412	317
Excess (Deficiency) Of Revenues Over (Under) Expenditures	130	130	(65)	(4)	(69)	(199)
OTHER FINANCING USES						
Transfers out	(249)	(249)	(332)	-	(332)	(83)
Total Other Financing Uses	(249)	(249)	(332)	-	(332)	(83)
Net Change In Fund Balances	(119)	(119)	(397)	(4)	(401)	(282)
Fund Balances - Beginning	250	250	250	-	250	-
Fund Balances - Ending	$ 131	$ 131	$ (147)	$ (4)	$ (151)	$ (282)

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON SCHEDULE
STREET MAINTENANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Taxes	$ 11,146	$ 11,146	$ 11,525	$ -	$ 11,525	$ 379
Interest revenue	237	237	586	-	586	349
Net increase (decrease) in the fair value of investments	-	-	35	-	35	35
Other revenue	-	-	84	-	84	84
Total Revenues	11,383	11,383	12,230	-	12,230	847
EXPENDITURES						
Current-						
Public works	13,764	13,764	12,490	1,190	13,680	84
Total Expenditures	13,764	13,764	12,490	1,190	13,680	84
Excess (Deficiency) Of Revenues Over (Under) Expenditures	(2,381)	(2,381)	(260)	(1,190)	(1,450)	931
OTHER FINANCING SOURCES						
Transfers in	2,301	2,301	2,301	-	2,301	-
Transfers out	-	-	-	-	-	-
Total Other Financing Sources	2,301	2,301	2,301	-	2,301	-
Net Change In Fund Balances	(80)	(80)	2,041	(1,190)	851	931
Fund Balances - Beginning	10,880	10,880	10,880	-	10,880	-
Fund Balances - Ending	$ 10,800	$ 10,800	$ 12,921	$ (1,190)	$ 11,731	$ 931

CITY OF ARLINGTON, TEXAS
BUDGETARY COMPARISON STATEMENT
WATER AND SEWER FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Budgeted Amounts		Actual Amounts			
	Original	Final	Actual	Adjustments to Budgetary Basis	Actual on Budgetary Basis	Variance with Final Budget-Positive (Negative)
REVENUES						
Water Sales	$ 48,115	$ 48,115	$ 43,693	$ 1,204	$ 44,897	$ (3,218)
Sewer service	42,470	42,470	40,246	(257)	39,989	(2,481)
Sundry	4,946	4,946	4,847	-	4,847	(99)
Total Operating revenues	95,531	95,531	88,786	947	89,733	(5,798)
EXPENDITURES						
Purchases of water	$ 13,600	$ 13,600	$ 12,549	$ -	$ 12,549	$ 1,051
Purchase of sewage treatment	19,100	19,100	19,364	-	19,364	(264)
Salaries and wages	12,478	12,478	11,397	-	11,397	1,081
Employees' retirement	1,527	1,527	1,520	-	1,520	7
Supplies	2,390	2,390	2,356	(213)	2,143	247
Maintenance and repairs	2,476	2,476	2,493	(75)	2,418	58
Utilities	3,078	3,078	3,155	-	3,155	(77)
Franchise fees	4,686	4,686	4,413	-	4,413	273
Depreciation	-	-	10,853	(10,853)	-	-
Miscellaneous services	4,780	4,780	3,797	677	4,474	306
Total Operating Expenses	64,115	64,115	71,897	(10,464)	61,433	2,682
Operating Income	31,416	31,416	16,889	11,411	28,300	(3,116)
NONOPERATING REVENUES (EXPENSES):						
Interest revenue	1,145	1,145	1,685	1,059	2,744	1,599
Net increase (decrease) in the fair value of investments	-	-	257	(257)	-	-
Interest expense and fiscal charges	(16,628)	(16,628)	(1,036)	(12,035)	(13,071)	3,557
Total Nonoperating Revenues (Expenses)	(15,483)	(15,483)	906	(11,233)	(10,327)	5,156
Income before operating transfers and contributions	15,933	15,933	17,795	178	17,973	2,040
Contributions in aid of construction	-	-	3,600	(3,600)	-	-
Transfers in						
Transfers out	(15,946)	(15,946)	(6,520)	(12,376)	(18,896)	(2,950)
Change in net assets	(13)	(13)	14,875	(15,798)	(923)	(910)
Total net assets-beginning	439,709	439,709	439,709	-	439,709	-
Total net assets-ending	$ 439,696	$ 439,696	$ 454,584	$ (15,798)	$ 438,786	$ (910)

INTERNAL SERVICE FUNDS

GENERAL SERVICES FUND - The purpose of this fund is to account for printing, mailing, duplicating, and other general services provided to other departments of the City.

FLEET SERVICES FUND - The purpose of this fund is to account for the purchase of City vehicles and to provide maintenance services for such vehicles.

ARLINGTON PROPERTY FINANCE AUTHORITY, INC. FUND (the "APFA") - The APFA is a Texas nonprofit corporation that was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by City Council ordinance or resolution. In October 1986, the City Council adopted an ordinance to establish the City's Self-Insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for general and automotive liability.

TECHNOLOGY SERVICES FUND - The City's technology services/telephone services program provides City employees with telephone installation, maintenance and data cable capabilities, and telephone training. The purpose of this fund is to account for the activity of such program.

WORKERS' COMPENSATION FUND - The City's workers' compensation program provides City employees with workers' compensation insurance. The purpose of this fund is to account for the activity of such program.

GROUP HEALTH FUND - The City's group health insurance program provides City employees with health insurance. The purpose of this fund is to account for the activity of such program.

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 680	$ 2,072	$ 2,259
Investments	-	-	2,790
Receivables (net of allowances for uncollectibles)			
Trade accounts	-	203	-
Accrued interest	-	-	36
Inventory of supplies, at cost	83	36	-
Total Current Assets	763	2,311	5,085
Noncurrent Assets:			
Capital Assets:			
Buildings and improvements	-	467	-
Machinery and equipment	1,167	34,831	-
Less accumulated depreciation	(633)	(23,532)	-
Total Capital Assets (Net of Accumulated Depreciation)	534	11,766	-
Total Assets	1,297	14,077	5,085
LIABILITIES			
Current Liabilities:			
Accounts payable and accrued liabilities	60	397	37
Estimated claims payable	-	-	1,641
Accrued compensated absences	6	-	-
Capital lease obligation	147	-	-
Total Current Liabilities	213	397	1,678
Noncurrent Liabilities:			
Estimated claims payable	-	-	937
Accrued compensated absences	78	24	-
Capital lease obligation	448	-	-
Total Noncurrent Liabilities	526	24	937
Total Liabilities	739	421	2,615
NET ASSETS			
Invested in capital assets, net of related debt	(61)	11,766	-
Unrestricted	619	1,890	2,470
Total Net Assets	$ 558	$ 13,656	$ 2,470

Technology Services	Workers' Compensation	Group Health	Total
$ 415	$ 10,893	$ 12,442	$ 28,761
-	-	-	2,790
-	-	-	203
-	-	-	36
-	-	-	119
415	10,893	12,442	31,909
-	-	-	467
741	-	-	36,739
(454)	-	-	(24,619)
287	-	-	12,587
702	10,893	12,442	44,496
145	263	5	907
-	2,457	2,315	6,413
11	-	-	17
105	-	-	252
261	2,720	2,320	7,589
-	2,242	-	3,179
109	-	-	211
137	-	-	585
246	2,242	-	3,975
507	4,962	2,320	11,564
45	-	-	11,750
150	5,931	10,122	21,182
$ 195	$ 5,931	$ 10,122	$ 32,932

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSET
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS

	General Services	Fleet Services	Arlington Property Finance Authority
OPERATING REVENUES			
Service charges	$ 2,192	$ 7,000	$ 53
Sundry	-	47	-
Total Operating Revenues	2,192	7,047	53
OPERATING EXPENSES			
Salaries and wages	466	142	-
Employees' retirement	66	18	-
Supplies	1,098	2,180	-
Maintenance and repairs	56	688	-
Utilities	17	90	-
Claims	-	-	292
Legal and professional	-	1,958	348
Depreciation	153	2,985	-
Miscellaneous services	131	165	30
Total Operating Expenses	1,987	8,226	670
OPERATING INCOME (LOSS)	205	(1,179)	(617)
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	-	-	200
Net increase (decrease) in the fair value of investments	-	-	6
Actuarial adjustment	-	-	760
Gain (Loss) on sale of assets	-	19	-
Interest expense and fiscal charges	(47)	-	-
Total Non-operating Revenues (Expenses)	(47)	19	966
Income (Loss) Before Transfers	158	(1,160)	349
Transfers In	-	2,753	1,060
Change In Net Assets	158	1,593	1,409
Total Net Assets, October 1	400	12,063	1,061
Total Net Assets, September 30	$ 558	$ 13,656	$ 2,470

Technology Services	Workers' Compensation	Group Health	Total
$ 5,057	$ 3,958	$ 17,041	$ 35,301
-	-	-	47
5,057	3,958	17,041	35,348
1,174	-	-	1,782
149	-	-	233
559	1	-	3,838
1,755	-	-	2,499
512	-	-	619
-	2,902	16,748	19,942
-	189	84	2,579
142	-	-	3,280
889	-	-	1,215
5,180	3,092	16,832	35,987
(123)	866	209	(639)
-	531	695	1,426
-	34	28	68
-	-	-	760
-	-	-	19
(9)	-	-	(56)
(9)	565	723	2,217
(132)	1,431	932	1,578
-	-	-	3,813
(132)	1,431	932	5,391
327	4,500	9,190	27,541
$ 195	$ 5,931	$ 10,122	$ 32,932

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	General Services	Fleet Services	Arlington Property Finance Authority
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 2,192	$ 7,105	$ 17
Cash payments to suppliers	(1,349)	(5,210)	(1,395)
Cash payments to employees	(509)	(159)	-
Net Cash Provided By (Used For) Operating Activities	334	1,736	(1,378)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	-	2,753	1,060
Net Cash Provided By (Used For) Noncapital Financing Activities	-	2,753	1,060
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and construction of capital assets	-	(4,345)	-
Principal payments on capital lease	(127)	-	-
Interest payments on capital lease	(47)	-	-
Proceeds from sales of capital assets	-	186	-
Net Cash Used For Capital and Related Financing Activities	(174)	(4,159)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from interest earnings	-	-	200
Net increase (decrease) in the fair value of investments	-	-	6
Actuarial adjustment	-	-	760
Purchase of investments	-	-	(4,490)
Maturities/sales of investments	-	-	1,700
Net Cash Provided By Investing Activities	-	-	(1,824)
Net increase (decrease) in cash and cash equivalents	160	330	(2,142)
Cash and cash equivalents at October 1	520	1,742	4,401
Cash and cash equivalents at September 30	$ 680	$ 2,072	$ 2,259
Reconciliation of operating income to net cash provided by (used for) operating activities			
Operating Income (Loss)	$ 205	$ (1,179)	$ (617)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	153	2,985	-
(Increase) decrease in-			
Receivables	-	58	(36)
Inventory of supplies	(17)	(17)	-
Increase (decrease) in-			
Accounts payable and accrued liabilities	(30)	(111)	35
Estimated claims payable	-	-	(760)
Accrued compensated absences	23	-	-
Total adjustments	129	2,915	(761)
Net Cash Provided By (Used For) Operating Activities	$ 334	$ 1,736	$ (1,378)

Technology Services	Workers' Compensation	Group Health	Totals
$ 5,057	$ 3,958	$ 17,041	$ 35,370
(3,868)	(2,708)	(17,219)	(31,749)
(1,307)	-	-	(1,975)
(118)	1,250	(178)	1,646
-	-	-	3,813
-	-	-	3,813
-	-	-	(4,345)
(102)	-	-	(229)
(9)	-	-	(56)
-	-	-	186
(111)	-	-	(4,444)
-	531	695	1,426
-	34	28	68
-	-	-	760
-	-	-	(4,490)
-	-	-	1,700
-	565	723	(536)
(229)	1,815	545	479
644	9,078	11,897	28,282
$ 415	$ 10,893	$ 12,442	$ 28,761
$ (123)	$ 866	$ 209	$ (639)
142	-	-	3,280
-	-	-	22
-	-	-	(34)
(154)	91	(2)	(171)
-	293	(385)	(852)
17	-	-	40
5	384	(387)	2,285
$ (118)	$ 1,250	$ (178)	$ 1,646

FIDUCIARY FUNDS

PENSION TRUST FUNDS:

PART-TIME DEFERRED INCOME TRUST FUND - The purpose of this fund is to account for assets held for part-time employees as an alternative retirement plan to Social Security. This plan meets the IRS safe harbor rules.

THRIFT SAVINGS PLAN FUND - The purpose of this fund is to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 401(k).

DISABILITY INCOME PLAN FUND - The purpose of this fund is to account for the accumulation of resources for disability benefit payments to qualified employees who become disabled due to illness or accident.

AGENCY FUNDS:

PAYROLL - The purpose of this fund is to account for assets held by the City in a fiduciary capacity as agent for payroll related benefit plans.

ESCROW FUND - The purpose of this fund is to account for assets held by the City in a fiduciary capacity as custodian or agent for individuals, other funds within the City, other governmental units, and private organizations.

ESCHEAT FUND - The purpose of the fund is to account for assets held by the City in a fiduciary capacity as custodian or agent of escheat property for the state.

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF PENSION TRUST FUNDS NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	Total
ASSETS				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Investments:				
Money market fund	46	17,743	20	17,809
Corporate bonds	571	-	145	716
Fixed income mutual funds	571	6,943	145	7,659
Common stock mutual funds	413	55,913	107	56,433
Balanced mutual funds	-	13,407	-	13,407
Self-directed brokerage accounts	-	4,652	-	4,652
Total investments	1,601	98,658	417	100,676
Total Assets	$ 1,601	$ 98,658	$ 417	$ 100,676
LIABILITIES				
Accounts payable and accrued liabilities	-	-	-	-
IRC 401 deferred compensation plans	-	-	-	-
Total Liabilities	-	-	-	-
NET ASSETS				
Held in trust for employee benefits	$ 1,601	$ 98,658	$ 417	$ 100,676

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF AGENCY FUNDS ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Payroll	Escrow Fund	Escheat Fund	Total
ASSETS				
Cash and cash equivalents	$ 3,727	$ 12,580	$ 248	$ 16,555
Investments:				
Money market fund	-	-	-	-
Corporate bonds	-	-	-	-
Fixed income mutual funds	-	-	-	-
Common stock mutual funds	347	-	-	347
Balanced mutual funds	-	-	-	-
Self-directed brokerage accounts	-	-	-	-
Total investments	347	-	-	347
Total Assets	$ 4,074	$ 12,580	$ 248	$ 16,902
LIABILITIES				
Accounts payable and accrued liabilities	$ 3,727	$ 12,580	$ 248	$ 16,555
IRC 401 deferred compensation plans	347	-	-	347
Total Liabilities	$ 4,074	$ 12,580	$ 248	$ 16,902

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Pension Trust Funds			
	Part-Time Deferred Income Trust	Thrift Savings Plan	Disability Income Plan	Total
ADDITIONS				
Employer contributions	$ 114	$ 2,043	$ 323	$ 2,480
Employee contributions	101	4,954	-	5,055
Net appreciation in fair value of investments	112	11,660	28	11,800
Total Additions	327	18,657	351	19,335
DEDUCTIONS				
Benefits	49	8,808	278	9,135
Plan administration	17	16	8	41
Total Deductions	66	8,824	286	9,176
Increase in Net Assets	261	9,833	65	10,159
Net Assets, October 1	1,340	88,825	352	90,517
Net Assets, September 30	$ 1,601	$ 98,658	$ 417	$ 100,676

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Balance October 1, 2006	Additions	Deductions	Balance September 30, 2007
PAYROLL FUND				
Assets				
Cash and cash equivalents	$ 4,417	$ 255,737	$ 256,427	$ 3,727
Investments	285	62	-	347
Total assets	$ 4,702	$ 255,799	$ 256,427	$ 4,074
Liabilities				
Accounts payable and accrued liabilities	$ 4,417	$ 255,737	$ 256,427	$ 3,727
Accounts payable and accrued liabilities - IRC 401 defined contribution	285	62	-	347
Total liabilities	$ 4,702	$ 255,799	$ 256,427	$ 4,074
ESCROW FUND				
Assets				
Cash and cash equivalents	$ 7,123	$ 30,785	$ 25,328	$ 12,580
Total assets	$ 7,123	$ 30,785	$ 25,328	$ 12,580
Liabilities				
Accounts payable and accrued liabilities	$ 7,123	$ 30,785	$ 25,328	$ 12,580
Total liabilities	$ 7,123	$ 30,785	$ 25,328	$ 12,580
ESCHEAT FUND				
Assets				
Cash and cash equivalents	$ 254	$ 73	$ 79	$ 248
Total assets	$ 254	$ 73	$ 79	$ 248
Liabilities				
Accounts payable and accrued liabilities	$ 254	$ 73	$ 79	$ 248
Total liabilities	$ 254	$ 73	$ 79	$ 248
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	$ 11,794	$ 286,595	$ 281,834	$ 16,555
Investments	285	62	-	347
Total assets	$ 12,079	$ 286,657	$ 281,834	$ 16,902
Liabilities				
Accounts payable and accrued liabilities	$ 11,794	$ 286,595	$ 281,834	$ 16,555
Accounts payable and accrued liabilities - IRC 401defined contribution	285	62	-	347
Total Liabilities	$ 12,079	$ 286,657	$ 281,834	$ 16,902

DISCRETELY PRESENTED COMPONENT UNITS

ARLINGTON SPORTS FACILITIES DEVELOPMENT AUTHORITY, INC. - The purpose of the Arlington Sports Facilities Development Authority (ASFDA) is to promote economic development within the City.

ARLINGTON HOUSING AUTHORITY - The purpose of the Arlington Housing Authority (AHA) is to provide low income housing assistance within the City.

ARLINGTON CONVENTION AND VISITORS BUREAU, INC. - The purpose of the Arlington Convention and Visitors Bureau (ACVB) is to promote tourism within the City.

ARLINGTON HOUSING FINANCE CORPORATION - The purpose of the Arlington Housing Finance Corporation (AHFC) is to provide financial assistance to low income, multi-family residences and single-family homebuyers within the City.

ARLINGTON INDUSTRIAL DEVELOPMENT CORPORATION - The purpose of the Arlington Industrial Development Corporation (AIDC) is to promote industrial and commercial development within the City.

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
AS OF SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Sports Facilities Development Authority, Inc.	Arlington Housing Authority	Arlington Convention and Visitors Bureau, Inc.	Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	$ 3,034	$ 7,698	$ 57	$ 401	$ 3	$ 11,193
Investments	11,626	3,144	-	-	-	14,770
Receivables (net of allowances for uncollectibles):						
Grants	-	468	-	-	-	468
Lease	18,391	-	-	-	-	18,391
Accrued interest	8	18	-	-	-	26
Settlement agreement	10,999	-	-	-	-	10,999
Other	148	36	12	-	-	196
Inventory	-	-	5	-	-	5
Prepaid expenses	-	-	25	-	-	25
Total Current Assets	44,206	11,364	99	401	3	56,073
Non-Current Assets:						
Capital Assets-						
Buildings and improvements	2,739	-	-	-	-	2,739
Machinery and equipment	-	700	604	-	-	1,304
Accumulated depreciation	(1,478)	(260)	(359)	-	-	(2,097)
Total Non-Current Assets	1,261	440	245	-	-	1,946
Total Assets	45,467	11,804	344	401	3	58,019
LIABILITIES						
Current Liabilities:						
Accounts payable and accrued liabilities	719	850	93	-	-	1,662
Due to primary government	-	22	-	-	-	22
Deferred revenue	-	610	38	-	-	648
Sales tax payable	74	-	-	-	-	74
Total Current Liabilities	793	1,482	131	-	-	2,406
Non-Current Liabilities:						
Sales tax payable - due in more than one year	313	-	-	-	-	313
Bonds payable - due in more than one year	17,180	-	-	-	-	17,180
Total Non-Current Liabilities	17,493	-	-	-	-	17,493
Total Liabilities	18,286	1,482	131	-	-	19,899
NET ASSETS						
Invested in capital assets (net of related debt)	1,260	440	213	-	-	1,913
Restricted for debt service	13,893	-	-	-	-	13,893
Unrestricted	12,028	9,882	-	401	3	22,314
Total Net Assets	$ 27,181	$ 10,322	$ 213	$ 401	$ 3	$ 38,120

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Component Units:				
Arlington Sports Facilities Development Authority, Inc	$ 3,557	$ 2,571	$ -	$ -
Arlington Housing Authority	22,895	-	23,050	-
Arlington Convention & Visitors Bureau, Inc.	3,268	2,849	417	-
Arlington Housing Finance Corporation	50		15	-
Total Component Units	$ 29,770	$ 5,420	$ 23,482	$ -

General revenues:
Taxes
Interest revenue
Other
Net increase (decrease) in the fair value of investments
Total general revenues and transfers
Change in net assets
Net assets, October 1
Net assets, September 30

Net (Expenses) Revenue and Changes in Net Assets					
Component Units					
Arlington Sports Facilities Development Authority, Inc.	Arlington Housing Authority	Arlington Convention & Visitors Bureau	Arlington Housing Finance Corporation	Arlington Industrial Development Corporation	Total
$ (986)	$ -	$ -	$ -	$ -	$ (986)
-	155	-	-	-	155
-	-	(2)	-	-	(2)
-		-	(35)	-	(35)
$ (986)	$ 155	$ (2)	$ (35)	$ -	$ (868)
$ -	$ -	$ -	$ -	$ -	$ -
1,979	95	5	21	-	2,100
-	238	-	-	-	238
				-	
151	10	-	1	-	162
2,130	343	5	22	-	2,500
1,144	498	3	(13)	-	1,632
26,037	9,824	210	414	3	36,488
$ 27,181	$ 10,322	$ 213	$ 401	$ 3	$ 38,120

CITY OF ARLINGTON, TEXAS
COMBINING STATEMENT OF CASH FLOWS
COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

	Arlington Sports Facilities Development Authority	Arlington Housing Finance Corporation
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$ 3,379	$ 15
Cash received from HUD	-	-
Other operating cash receipts	-	-
Cash payments to suppliers	(445)	(50)
Cash payments to employees	-	-
Cash payments for housing assistance	-	-
Net Cash Provided By (Used For) Operating Activities	2,934	(35)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	-	-
Transfers out	(2,800)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	(2,800)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	-
Principal payments on capital lease	-	-
Interest payments on capital lease	-	-
Proceeds from sales of capital assets	-	-
Net Cash Used For Capital and Related Financing Activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from interest earnings	1,979	21
Net increase (decrease) in the fair value of investments	151	1
Purchase of investments	(607)	-
Maturities/sales of investments	-	-
Net Cash Provided By Investing Activities	1,523	22
Net increase (decrease) in cash and cash equivalents	1,657	(13)
Cash and cash equivalents at October 1	1,377	414
Cash and cash equivalents at September 30	$ 3,034	$ 401
Reconciliation of operating income to net cash provided by (used for) operating activities		
Operating Income (Loss)	$ 1,814	$ (35)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	109	-
Unrealized (gain) loss on investments	-	-
(Increase) decrease in-		
Restricted Cash	-	-
Receivables	808	-
Inventory of supplies	-	-
Prepaid Expenses	-	-
Increase (decrease) in-		
Accounts payable and accrued liabilities	277	-
Estimated claims payable	-	-
Accrued compensated absences	-	-
Deferred revenue	-	-
Other accrued expenses	(74)	-
Total adjustments	1,120	-
Net Cash Provided By (Used For) Operating Activities	$ 2,934	$ (35)

Arlington Industrial Development Corporation	Totals
$ -	$ 3,394
-	-
-	-
-	(495)
-	-
-	-
-	2,899
-	-
-	(2,800)
-	(2,800)
-	-
-	-
-	-
-	-
-	-
-	2,000
-	152
-	(607)
-	-
-	1,545
-	1,644
3	1,794
$ 3	$ 3,438
$ -	$ 1,779
-	109
-	-
-	-
-	808
-	-
-	-
-	277
-	-
-	-
-	-
-	(74)
-	1,120
$ -	$ 2,899

CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN OPERATION OF GOVERNMENTAL FUNDS - BY SOURCES (Unaudited)
AS OF SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land	$	73,087
Buildings		109,509
Improvements other than buildings		82,558
Machinery and equipment		24,933
Construction-in-progress		474,351
Infrastructure		783,871
Total Governmental Funds Capital Assets	$	1,548,309

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS:		
General fund	$	290,087
Capital Project Fund		1,258,222
Total Governmental Funds Capital Assets	$	1,548,309

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts.

Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY (Unaudited)
AS OF SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

Function and Activity	Total	Land	Buildings	Improvements Other than Buildings	Machinery and Equipment
ADMINISTRATIVE:					
Technology services	$ 9,008	$ -	$ -	$ -	$ 9,008
Tax	6	-	-	-	6
City administration	71,820	6,799	59,705	4,845	471
Convention center	178	-	-	-	178
Total Administration	81,012	6,799	59,705	4,845	9,663
OPERATIONS:					
Fire	5,714	-	2,445	-	3,269
Municipal court	1,409	-	-	-	1,409
Police	18,235	-	10,893	-	7,342
Parks and recreation	152,881	60,633	20,477	70,288	1,483
Communication services	88	-	-	-	88
Airport	28,418	5,655	15,700	7,063	-
Total Operations	206,745	66,288	49,515	77,351	13,591
DEVELOPMENT:					
Community development	539	-	289	6	244
Engineering services	137	-	-	-	137
Transportation	1,654	-	-	356	1,298
Total Development	2,330	-	289	362	1,679
Total Capital Assets Allocated to Functions	290,087	$ 73,087	$ 109,509	$ 82,558	$ 24,933
INFRASTRUCTURE	783,871				
CONSTRUCTION IN PROGRESS	474,351				
Total Governmental Funds Capital Assets	$ 1,548,309				

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF ARLINGTON, TEXAS
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS
BY FUNCTION AND ACTIVITY (Unaudited)
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(AMOUNTS EXPRESSED IN THOUSANDS)

Function and Activity	Governmental Funds Capital Assets October 1, 2006	Additions	Deletions	Governmental Func Capital Assets September 30, 200
ADMINISTRATIVE:				
Technology services	$ 7,663	$ 1,345	$ -	$ 9,008
Tax	6	-	-	6
City administration	70,185	1,972	(337)	71,820
Convention center	178	-	-	178
Total Administration	78,032	3,317	(337)	81,012
OPERATIONS:				
Fire	4,029	1,685	-	5,714
Municipal court	1,409	-	-	1,409
Police	6,670	11,565	-	18,235
Parks and recreation	148,038	4,843	-	152,881
Communication services	88	-	-	88
Airport	26,057	2,361	-	28,418
Total Operations	186,291	20,454	-	206,745
DEVELOPMENT:				
Community development	497	42	-	539
Engineering services	137	-	-	137
Transportation	1,477	177	-	1,654
Total Development	2,068	219	-	2,330
INFRASTRUCTURE	760,720	23,151	-	783,871
CONSTRUCTION IN PROGRESS	244,903	278,857	(49,409)	474,351
Total Governmental Funds Capital Asset	$ 1,272,057	$ 325,998	$ (49,746)	$ 1,548,309

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

STATISTICAL SECTION
(Unaudited)

The City of Arlington's statistical section presents detailed information as a context for understanding the information in the Comprehensive Annual Financial Report, which details the City's overall financial health and well-being.

FINANCIAL TRENDS – The financial trends schedules contain information to help financial statement users understand how the city's financial position has changed over time.

REVENUE CAPACITY – The Revenue Capacity schedules contain information to help financial statement users assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY – The Debt Capacity schedules present information to help financial statement users assess the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION – The Demographic and Economic Statistic schedules offer demographic and economic indicators to help financial statement users understand the environment within which the City's financial activities take place.

OPERATING INFORMATION – The Operating Information schedules contain service and infrastructure data to help financial statement users understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF ARLINGTON, TEXAS
NET ASSETS BY COMPONENT
Last Six Fiscal Years
(accrual basis of accounting)
(Unaudited) (In Thousands)

Table 1

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Governmental activities						
Invested in capital assets, net of related debt	$ 357,316	$ 321,615	$ 317,946	$ 408,969	$ 510,287	$ 646,693
Restricted (Debt Srvcs/Impact Fee)	2,259	419	2,993	25,738	25,794	39,767
Unrestricted	28,636	78,838	98,332	49,571	67,341	89,238
Total governmental activities net assets	$ 388,211	$ 400,872	$ 419,271	$ 484,278	$ 603,422	$ 775,698
Business-type activities						
Invested in capital assets, net of related debt	$ 307,741	$ 325,159	$ 350,885	$ 380,515	$ 409,452	$ 428,961
Restricted	-	9,638	9,460	10,041	9,273	9,097
Unrestricted	67,329	58,105	58,862	20,061	21,519	17,049
Total business-type activities net assets	$ 375,070	$ 392,902	$ 419,207	$ 410,617	$ 440,244	$ 455,107
Primary government						
Invested in capital assets, net of related debt	$ 665,057	$ 646,774	$ 668,831	$ 789,484	$ 919,739	$ 1,075,654
Restricted (Debt Srvcs/Impact Fee)	2,259	10,057	12,453	35,779	35,067	48,864
Unrestricted	95,965	136,943	157,194	69,632	88,860	106,287
Total primary government net assets	$ 763,281	$ 793,774	$ 838,478	$ 894,895	$ 1,043,666	$ 1,230,805

Source: City of Arlington Financial Services Department

Note: The accrual-basis of financial reporting for the City of Arlington is only available back to 2002, which is the year GASB Statement 34 was implemented.

CITY OF ARLINGTON, TEXAS
CHANGES IN NET ASSETS, LAST SIX FISCAL YEARS
(accrual basis of accounting)
(Unaudited) (In Thousands)

Table 2

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Expenses						
Governmental activities:						
General government	$ 34,330	$ 28,511	$ 30,646	$ 26,906	$ 31,812	$ 34,120
Public safety	90,417	89,554	93,852	97,645	102,363	113,343
Public works	55,327	57,768	55,350	64,369	66,019	73,161
Public health	2,100	1,424	1,321	2,416	1,697	1,735
Parks and recreational	20,669	21,327	20,633	23,262	27,761	26,826
Public welfare	5,288	7,282	5,410	6,383	9,408	11,136
Convention and event services	5,426	5,478	5,347	5,435	5,094	5,628
Interest on long term debt	15,674	15,102	14,548	13,898	24,923	24,581
Total governmental activities expenses	$ 229,231	$ 226,446	$ 227,107	$ 240,314	$ 269,077	$ 290,530
Business-type activities:						
Water and sewer	68,106	68,282	67,232	65,220	74,516	72,945
Landfill	7,743	1,731	2,207	4,310	-	-
Total business-type activities expenses	$ 75,849.00	$ 70,013.00	$ 69,439	$ 69,530	$ 74,516	$ 72,945
Total primary government expenses	$ 305,080	$ 296,459	$ 296,546	$ 309,844	$ 343,593	$ 363,475
Program Revenues						
Governmental activities:						
Charges for services:						
General government	$ 9,121	$ 11,911	$ 7,775	$ 15,449	$ 21,668	$ 17,264
Public safety	7,966	8,068	9,145	6,851	8,206	8,052
Public works	8,341	4,395	6,059	3,001	3,025	3,052
Public health	227	65	1,093	65	71	78
Parks and recreational	8,190	6,636	7,161	8,243	8,558	8,456
Public welfare	-	-	14	-	-	-
Convention and event services	5,635	2,347	2,422	2,496	2,656	2,418
Operating grants and contributions	9,430	8,728	7,758	8,144	13,846	14,102
Capital grants and contributions	12,509	8,525	5,730	4,849	77,683	121,720
Total governmental activities program revenues	$ 61,419	$ 50,675	$ 47,157	$ 49,098	$ 135,713	$ 175,142
					-	
Business-type activities:						
Charges for services:						
Water and sewer	$ 80,747	$ 81,890	$ 88,474	$ 92,144	$ 102,745	$ 88,786
Landfill	7,897	7,728	6,733	4,484	-	-
Capital grants and contributions	6,636	6,064	6,656	3,676	5,529	3,600
Total business-type activities program revenues	$ 95,280	$ 95,682	$ 101,863	$ 100,304.00	$ 108,274	$ 92,386
Total primary government program revenues	$ 156,699	$ 146,357	$ 149,020	$ 149,402	$ 243,987	$ 267,528

(continued)

CITY OF ARLINGTON, TEXAS
CHANGES IN NET ASSETS, LAST SIX FISCAL YEARS
(accrual basis of accounting)
(Unaudited) (In Thousands)

Table 2

	Fiscal Year					
	2002	2003	2004	2005	2006	2007
Net (Expense) Revenue						
Governmental activities	$ (167,812)	$ (175,771)	$ (179,950)	$ (191,216)	$ (133,364)	$ (115,388)
Business-type activities	19,431	25,669	32,424	30,774	33,758	19,441
Total Primary government net expense	$ (148,381)	$ (150,102)	$ (147,526)	$ (160,442)	$ (99,606)	$ (95,947)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes:						
Property taxes	$ 134,489	$ 145,689	$ 157,143	$ 101,235	$ 104,425	$ 108,301
Sales taxes	-	-	-	60,476	76,483	79,781
Other taxes	-	-	-	7,286	8,319	9,249
Gas Lease	-	-	-	-	5,020	25,471
Franchise fees	29,667	29,181	29,321	28,928	31,140	29,145
Investment earnings	3,888	2,040	1,957	5,642	19,513	21,849
Net increase (decrease) in fair value	(380)	(10)	(355)	(1,244)	(293)	2,109
Other	3,585	2,278	3,045	4,900	1,469	5,239
Special Item	-	-	-	4,330	-	-
Transfers	4,705	9,254	7,238	40,563	6,432	6,520
Total governmental activities	$ 175,954	$ 188,432	$ 198,349	$ 252,116	$ 252,508	$ 287,664
Business-type activities:						
Investment earnings	$ 2,394	$ 1,456	$ 1,287	$ 1,255	$ 2,175	$ 1,685
Gain on sale/retirement of capital assets	(251)	(39)	(223)	(77)	126	257
Miscellaneous	-	-	55	21	-	-
Transfers	(4,705)	(9,254)	(7,238)	(40,563)	(6,432)	(6,520)
Total Business-type activities	$ (2,562)	$ (7,837)	$ (6,119)	$ (39,364)	$ (4,131)	$ (4,578)
Total primary government	$ 173,392	$ 180,595	$ 192,230	$ 212,752	$ 248,377	$ 283,086
Change in Net Assets						
Governmental activities	$ 8,142	$ 12,661	$ 18,399	$ 60,900	$ 119,144	$ 172,276
Business-type activities	16,869	17,832	26,305	(8,590)	29,627	14,863
Total primary government	$ 25,011	$ 30,493	$ 44,704	$ 52,310	$ 148,771	$ 187,139

(concluded)

Source: City of Arlington Financial Services Department

Note: The accrual-basis of financial reporting for the City of Arlington is only available back to 2002, which is the year GASB Statement 34 was implemented.

CITY OF ARLINGTON, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited) (In Thousands)

	Fiscal Year				
	1998	1999	2000	2001	2002
General fund					
Reserved for other					
Encumbrances	$ 2,381	$ 1,432	$ 1,129	$ 1,379	$ 1,526
Inventory	549	508	489	336	279
Prepaids	69	32	39	24	48
Street maintenance	-	1,930	350	-	-
Capital outlay	-	500	-	-	-
Utility rate case	502	477	500	500	500
Special transportation	902	816	-	-	-
Working capital	8,189	10,835	11,335	11,389	-
Net increase in fair value investment	2	-		-	-
Unreserved					
Telecommunications	299	194	195	357	754
Working capital	-	-	-	-	12,195
Subsequent years' expenditure	2,371	2,371	2,633	2,633	3,429
Arbitrage	-	-	-	-	824
Compensated absences	-	-	-	-	1,152
Other post employment benefits	-	-	-	-	-
Landfill lease proceeds	-	-	-	-	-
Infrastructure					
Gas lease proceeds	-	-	-	-	-
Undesignated	-	-	1,551	3,041	-
Total general fund	$ 15,264	$ 19,095	$ 18,221	$ 19,659	$ 20,707
All Other Governmental Funds					
Reserved for other					
Encumbrances	$ 26,085	$ 26,102	$ 21,347	$ 31,219	$ 22,115
Debt services	1,583	1,913	1,675	1,740	2,259
Inventory					
Prepaids	2	2	-	-	3
Capital maintenance	-	140	210	253	468
Capital projects	57,747	37,236	37,995	36,854	40,587
Street maintenance	-	-	-	1,356	379
Capital outlay	-	-	-	624	229
Court technology	-	-	-	-	-
Court security	-	-	-	-	-
Juvenile case manager					
Net increase in fair value investment	96	-	-	-	-
Unreserved					
Special revenue funds					
Working capital-other nonmajor fund	-	-	-	-	-
Central Plaza	-	-	-	-	-
Capital maintenance	-	-	-	-	-
Undesignated	2,567	2,017	1,713	1,148	2,487
Total all other governmental funds	$ 88,080	$ 67,410	$ 62,940	$ 73,194	$ 68,527

Source: City of Arlington Financial Services Department

Table 3

Fiscal Year				
2003	2004	2005	2006	2007
$ 656	$ 1,786	$ 3,230	$ 4,463	$ 6,351
112	113	254	240	574
67	46	46	5	35
-	-	-	-	-
-	-	-	-	-
500	500	500	500	500
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
102	329	274	-	-
12,981	13,585	14,373	15,964	16,232
4,821	5,018	5,174	5,747	5,843
320	38	12	33	184
1,247	1,411	1,125	1,280	1,261
-	1,718	1,718	1,718	1,718
-	-	19,887	20,573	21,030
				1,000
-	-	-	5,020	-
-	773	5,464	10,571	5,618
$ 20,806	$ 25,317	$ 52,057	$ 66,114	$ 60,346
			-	
$ 17,241	$ 7,514	$ 21,577	$ 36,592	$ 25,665
2,538	2,993	20,216	20,639	34,173
				197
3	36,476	185	179	1
253	-	-	-	-
50,867	26,727	318,632	280,316	156,064
394	482	1,709	3,899	3,568
442	-	-	-	-
-	292	162	29	188
-		224	111	-
			40	83
-	-	-	-	-
5,597	3,998	2,045	2,045	2,045
-	-	-	-	150
-	54,474	161	18	311
-	161	3,348	1,639	33,844
$ 77,335	$ 133,117	$ 368,259	$ 345,507	$ 256,289

CITY OF ARLINGTON, TEXAS
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(Unaudited) (In Thousands)

	Fiscal Year		
	1998	1999	2000
REVENUES:			
Taxes:	$ 109,818	$ 116,018	$ 124,026
Licenses and permits	2,823	3,220	3,173
Franchise fees	21,422	23,187	26,639
Fines and forfeitures	4,163	5,129	5,135
Leases, rents, and concessions	706	694	697
Service charges	16,939	17,518	19,169
Investment income	6,331	5,357	5,416
Net increase (decrease) in fair value of investment	-	-	-
Contributions	2,960	2,579	3,066
Intergovernmental	9,825	9,838	8,025
Miscellaneous	1,944	2,373	1,986
Total Revenues	$ 176,931	$ 185,913	$ 197,332
EXPENDITURES:			
General government	19,795	21,785	23,991
Public safety	61,894	66,467	72,539
Public works	18,274	19,074	22,796
Public health	1,880	2,062	1,904
Public welfare	3,270	5,023	3,929
Parks and recreational	13,764	15,958	17,564
Convention and event services	-	-	-
Operating expenditures	4,318	4,781	5,393
Capital outlay	52,286	65,792	49,637
Debt Service:			
Principal retirement	23,095	23,950	25,720
Interest and fiscal charges	13,744	14,857	15,373
Bond issuance cost	-	-	-
Total expenditures	$ 212,320	$ 239,749	$ 238,846
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (35,389)	$ (53,836)	$ (41,514)
OTHER FINANCING SOURCES (USES):			
Bonds issued*	39,960	33,150	32,865
Capital lease	-	-	-
Proceeds from sale of capital assests	-	-	-
Refunding bonds issued	-	-	-
Bond premium	-	-	-
Payment of escrow for refunding	-	-	-
Transfers in	10,587	11,014	14,539
Transfers out	(6,943)	(7,167)	(11,234)
Total other financing sources (uses)	$ 43,604	$ 36,997	$ 36,170
NET CHANGE IN FUND BALANCES	$ 8,215	$ (16,839)	$ (5,344)
Debt service as a percentage of noncapital expenditures	23.0%	22.3%	21.7%

Source: City of Arlington Financial Services Department

*** Note:** Bond issued includes general obligation bonds and certificates of obligation and commercial paper
Investment income includes net increase (decrease) in fair value of investments

Fiscal Year						
2001	2002	2003	2004	2005	2006	2007
$ 131,167	$ 134,429	$ 145,239	$ 156,958	$ 169,345	$ 189,671	$ 197,877
3,498	3,837	3,833	4,160	4,476	5,074	4,399
31,201	29,635	29,163	29,371	28,928	31,140	29,145
5,919	6,787	7,475	7,318	6,259	7,675	7,528
866	3,548	2,908	3,026	5,207	13,307	7,081
24,925	24,479	19,424	19,424	20,175	20,041	20,196
5,773	3,331	1,931	1,550	4,020	18,559	20,665
-	-	-	-	-	(314)	2,041
1,956	4,078	2,358	2,653	1,664	77,683	121,720
11,363	17,229	14,895	10,426	9,216	13,309	15,586
2,678	3,238	2,135	2,596	4,292	2,894	29,487
$ 219,346	$ 230,591	$ 229,361	$ 237,482	$ 253,582	$ 379,039	$ 455,725
26,370	28,393	28,433	30,148	31,094	30,839	30,792
80,015	91,606	90,934	95,499	99,656	103,772	112,704
25,031	59,756	27,874	27,535	36,971	36,127	37,516
1,928	1,999	1,239	1,252	1,435	1,684	1,695
3,549	6,311	3,585	5,546	6,543	9,483	11,166
21,617	29,981	18,565	21,865	21,755	21,261	23,625
-	5,426	5,471	5,312	5,435	5,094	5,628
5,374	-	-	-	-	-	-
39,960	-	38,362	24,169	57,271	144,473	278,858
26,730	27,860	27,420	28,270	28,030	26,160	26,415
15,920	15,663	15,186	14,637	14,632	25,428	25,019
-	-	133	-	-	-	-
$ 246,494	$ 266,995	$ 257,202	$ 254,233	$ 302,822	$ 404,321	$ 553,418
$ (27,148)	$ (36,404)	$ (27,841)	$ (16,751)	$ (49,240)	$ (25,282)	$ (97,693)
35,535	24,920	25,590	24,155	303,365	10,780	-
-	-	1,159	301	1,626	-	-
-	-	-	633	-	-	-
36,540	-	17,840	-	68,000	-	-
-	-	2,778	-	12,577	-	-
(36,540)	-	(18,835)	-	(72,240)	-	-
17,284	14,479	25,922	24,324	51,301	26,263	19,366
(13,979)	(9,231)	(17,692)	(14,676)	(15,317)	(20,456)	(16,659)
$ 38,840	$ 30,168	$ 36,762	$ 34,737	$ 349,312	$ 16,587	$ 2,707
$ 11,692	$ (6,236)	$ 8,921	$ 17,986	$ 300,072	$ (8,695)	$ (94,986)
20.7%	16.3%	19.5%	18.7%	17.4%	19.9%	18.7%

CITY OF ARLINGTON, TEXAS

Table 5

TAXABLE VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years (In Thousdands)
(Unaudited)

Fiscal Year	Estimated Actual Value of Taxable Property: Real Property	Estimated Actual Value of Taxable Property: Personal Property	Total Taxable Value [1]	Total Direct Tax Rate
1998	$ 8,260,015	$ 1,920,975	$ 10,180,990	0.6380
1999	8,905,619	1,962,967	10,868,586	0.6380
2000	9,466,395	1,948,751	11,415,146	0.6380
2001	10,344,386	2,090,767	12,435,153	0.6340
2002	11,304,546	2,208,832	13,513,378	0.6340
2003	12,099,808	2,244,193	14,344,001	0.6340
2004	12,899,757	2,118,968	15,018,725	0.6480
2005	13,349,818	2,249,502	15,599,320	0.6480
2006	13,930,567	2,213,014	16,143,581	0.6480
2007	14,557,436	2,235,989	16,793,425	0.6480

Source: City of Arlington Financial Services Department

Note: [1] Taxable and estimated actual value of taxable property is obtained from the certified value as of September of each tax year including minimum estimated value of property under protest and incomplete property values

CITY OF ARLINGTON, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES (per $100 of assessed value) Table 6
Last Ten Fiscal Years
(Unaudited)

	City Direct Rates			Overlapping Rates				
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	Arlington Independent School District[1]	HEB Independent School District[1]	Kennedale Independent School District[1]	Mansfield Independent School District[1]	Tarrant County[2]
1998	$ 0.3200	$ 0.3180	$ 0.6380	$ 1.44	$ 1.61	$ 1.66	$ 1.72	$ 0.56
1999	0.3200	0.3180	0.6380	1.49	1.61	1.67	1.72	0.61
2000	0.3200	0.3180	0.6380	1.59	1.63	1.55	1.71	0.61
2001	0.3276	0.3064	0.6340	1.62	1.68	1.61	1.69	0.62
2002	0.3429	0.2911	0.6340	1.65	1.65	1.61	1.67	0.62
2003	0.3620	0.2720	0.6340	1.74	1.71	1.62	1.68	0.64
2004	0.3879	0.2601	0.6480	1.76	1.66	1.61	1.68	0.65
2005	0.4023	0.2457	0.6480	1.75	1.72	1.80	1.77	0.65
2006	0.4244	0.2236	0.6480	1.61	1.60	1.72	1.69	0.65
2007	0.4467	0.2013	0.6480	1.28	1.30	1.36	1.45	0.27

Source: City of Arlington Financial Services Department

Note:
1. A single property owner's total tax rate would only include one independent school district's (Arlington, Hurst-Euless-Bedford, Kennedale, or Mansfield) tax rate.
2. This column includes the tax rates for Tarrant County, the Tarrant County Junior College District, and the Tarrant County Hospital District

CITY OF ARLINGTON, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Ten Years Ago
(Unaudited)

	2007	
Taxpayer	Total Taxable Value	Percentage of Total City Taxable Value[a]
General Motors Corp.	$ 197,074,157	11.74 %
TXU Electric Delivery	146,201,461	8.71
Parks @ Arlington	141,738,142	8.44
Southwestern Bell	75,489,133	4.50
Six Flags	70,128,481	4.18
JPMorgan Chase	49,045,514	2.92
USMD Surgical Hospital	47,520,722	2.83
Lincoln Square LTD	46,616,894	2.78
HCA - Arlington Inc	40,000,000	2.38
KC Providence Park	35,504,164	2.11
Total	$ 849,318,668	50.59 %

Source: City of Arlington Financial Services Department
Tarrant Appraisal District Records

Table 7

	1998	
Taxpayer	Total Taxable Value	Percentage of Total City Taxable Value[b]
General Motors Corp.	$ 136,251,807	13.38 %
Six Flags	122,932,488	12.07
Texas Electric Utilities	107,089,200	10.52
Southwestern Bell	86,773,042	8.52
National Semiconductor	65,383,079	6.42
Parks @ Arlington	57,090,468	5.61
Doskocil Manufacturing	37,829,858	3.72
Johnson & Johnson	31,960,268	3.14
Square Associates	31,073,788	3.05
WDN Properties	28,918,950	2.84
Total	$ 705,302,948	69.27 %

CITY OF ARLINGTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Table 8

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections	
		Amount	% of Levy		Amount	% of Levy
1998	$ 64,954,721	$ 64,125,387	98.72	$ 661,376	$ 65,026,883	100.11
1999	69,341,577	68,616,960	98.96	550,647	69,465,710	100.18
2000	72,828,633	71,724,897	98.48	897,209	73,180,874	100.48
2001	78,838,868	77,699,648	98.56	907,420	78,884,410	100.06
2002	85,674,820	84,218,512	98.30	1,122,148	85,605,894	99.92
2003	90,940,968	89,259,973	98.15	1,257,825	90,844,263	99.89
2004	97,321,335	96,929,494	99.60	(251,872)	98,550,430	101.26
2005	101,083,596	98,914,959	97.85	735,596	101,310,283	100.22
2006	104,610,406	102,395,260	97.88	559,424	104,239,487	99.65
2007	108,821,392	106,139,829	97.54	1,177,996	108,630,576	99.82

Source: City of Arlington Financial Services Department

Note: Cumulative Tax Collection Comparison

CITY OF ARLINGTON, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

	Governmental Activities				Business-Type Activities		
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Commercial Paper	Other Obligations	Water and Sewer Revenue Bonds	Total Primary Government	Percentage of Total Taxable Value
1998	$ 233,580,000	$ 37,255,000	$ -	$ -	$ 86,410,000	$ 357,245,000	3.51
1999	243,650,000	43,385,000	-	-	93,460,000	380,495,000	3.50
2000	252,305,000	41,875,000	-	-	83,060,000	377,240,000	3.30
2001	256,425,000	46,165,000	-	-	90,955,000	393,545,000	3.16
2002	256,795,000	42,855,000	-	-	94,575,000	394,225,000	2.92
2003	258,190,000	39,630,000	-	-	83,650,000	381,470,000	2.66
2004	258,960,000	34,745,000	-	-	87,935,000	381,640,000	2.54
2005	232,475,000	37,600,000	-	297,990,000	94,790,000	662,855,000	4.25
2006	226,760,000	25,935,000	2,000,000	297,990,000	84,510,000	637,195,000	3.95
2007	205,875,000	22,405,000	14,000,000	297,990,000	99,000,000	639,270,000	3.81

Source: City of Arlington Financial Services Department

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[a]See Table 13 for personal income and population data.

Certificates of Obligation include Tax and Revenue certificates
Other Obligations include Special Tax Revenue Bonds, Revenue Bonds and Commercial Paper

Table 9

Estimated Population	Per Capita[a]
293,991	$ 1,215
309,859	1,228
332,969	1,133
339,215	1,160
346,197	1,139
351,719	1,085
355,634	1,073
361,300	1,835
362,393	1,758
364,300	1,755

CITY OF ARLINGTON, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(Unaudited)

	General Bonded Debt Outstanding			
Fiscal Year	General Obligation Bonds	Certificates of Obligations	Commercial Paper	Total
1998	$ 233,580,000	$ 37,255,000	$ -	$ 270,835,000
1999	243,650,000	43,385,000	-	287,035,000
2000	252,305,000	41,875,000	-	294,180,000
2001	256,425,000	46,165,000	-	302,590,000
2002	256,795,000	42,855,000	-	299,650,000
2003	258,190,000	39,630,000	-	297,820,000
2004	258,960,000	34,745,000	-	293,705,000
2005	232,475,000	37,600,000	-	270,075,000
2006	226,760,000	25,935,000	2,000,000	254,695,000
2007	205,875,000	22,405,000	14,000,000	242,280,000

Source: City of Arlington Financial Services Department

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

[a]See Table 5 for property value data.

[b]See Table 13 for population data.

Table 10

Percentage of Actual Taxable Value of Property[a]	Per Capita[b]	Estimated Population
2.66%	$ 921	293,991
2.82%	926	309,859
2.89%	884	332,969
2.97%	892	339,215
2.94%	866	346,197
2.93%	847	351,719
2.88%	826	355,634
2.65%	748	361,300
2.50%	703	362,393
2.38%	665	364,300

CITY OF ARLINGTON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of Septemeber 30, 2007
(Unaudited)

Table 11

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Direct			
City of Arlington	$ 228,280,000	100.00%	$ 228,280,000
Overlapping			
Arlington I.S.D.	451,168,165	78.48%	354,076,776
Tarrant County	263,806,031	15.94%	42,050,681
Tarrant County Junior College District	51,943,961	15.94%	8,279,867
Tarrant County Hospital District	66,490,000	15.94%	10,598,506
Kennedale I.S.D.	52,315,037	57.53%	30,096,841
Mansfield I.S.D.	627,765,018	34.63%	217,395,026
Hurst-Euless-Bedford I.S.D.	251,115,911	0.36%	904,017
Total direct and overlapping debt			$ 891,681,714

Source: City of Arlington Financial Services Department

Note: Net Debt Service Reserve Fund

CITY OF ARLINGTON, TEXAS
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

Table 12

	Waterworks and Sewer System Revenue Bonds				
Fiscal Year	Total Revenues [1]	Less: Operating Expenses [2]	Net Available Revenue [3]	Average Annual Requirement	Times Coverage [4]
1998	$ 85,112	$ 49,716	$ 35,396	$ 6,356	5.57
1999	83,629	50,657	32,972	6,465	5.10
2000	89,049	55,523	33,526	5,959	5.63
2001	77,028 [5]	55,562	21,466	6,335	3.39
2002	82,064	57,482	24,582	6,664	3.69
2003	82,925	57,309	25,616	6,067	4.22
2004	89,413	57,556	31,857	6,078	5.24
2005	93,399	55,139	38,260	6,615	5.78
2006	104,920	63,171	41,749	6,176	6.76
2007	90,471	61,044	29,427	6,660	4.42

Source: City of Arlington Financial Services Department

Note: [1] Revenue determined on the full accrual basis and includes nonoperating interest
[2] Total expenses less depreciation and bond interest
[3] Gross operating revenues (1) less expenses (2)
[4] Net revenue available for debt service (3) divided by average annual debt service requirement
[5] Gross operating revenues in fiscal year 2001 reflect a refund of $7.0 million

CITY OF ARLINGTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Calendar Years
(Unaudited)

Table 13

Year	Estimated Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1998	293,991	$37,753,717	$ 27,193	*	56,234	2.9%
1999	309,859	40,231,412	28,285	*	57,433	2.7%
2000	332,969	44,068,188	30,300	33.1	59,342	2.9%
2001	339,215	47,011,291	31,577	*	60,760	3.9%
2002	346,197	47,735,316	31,295	*	62,104	5.3%
2003	351,719	49,151,450	31,565	*	62,345	5.5%
2004	355,634	51,951,087	32,735	*	62,531	4.5%
2005	361,300	63,800,913	33,133	*	62,267	5.0%
2006	362,393	*	*	*	63,397	4.5%
2007	364,300	*	*	*	*	4.2%

Note:
2000 Population estimate is the Actual Census
Personal
2005 Population estimate as of March 31, 2005
2006 Population estimate as of March 31, 2006
2007 Population estimate as of January 1, 2007 by NCTCOG
2006 School Enrollment estimated by NCTCOG
2006 Unemployment rate reported by Texas Workforce Commission Sept 2006
2007 Unemployment rate reported by Texas Workforce Commission Sept 2007
* indicates not reported
Sources: City of Arlington Financial Services Department

CITY OF ARLINGTON, TEXAS
PRINCIPAL EMPLOYERS,
Current Year and Ten Years Ago
(Unaudited)

2007		
Employer	Employees	Percentage of Total City Employment
Arlington Independent School District	8,000	4.99%
University of Texas at Arlington	5,700	3.56%
Six Flags over Texas	3,200	2.00%
General Motors Corp	3,000	1.87%
The Parks at Arlington (Mall)	3,000	1.87%
City of Arlington	2,500	1.56%
Chase Bank	1,900	1.19%
Texas Rangers Baseball Club	1,800	1.12%
Arlington Memorial Hospital	1,300	0.81%
Americredit	1,300	0.81%
Providian Financial	1,200	0.75%
Wal-Mart	1,200	0.75%
National Semiconductor	1,100	0.69%
Total	35,200	21.97%

Source: City of Arlington Financial Services Department

Note: 2007 Employment Estimate is 160,267
1998 Employment Estimate is 174,753

Table 14

1998		
Employer	Employees	Percentage of Total City Employment
Arlington Independent School District	6,023	3.45%
University of Texas at Arlington	4,453	2.55%
Six Flags Over Texas	4,250	2.43%
General Motors	2,300	1.32%
City of Arlington	2,049	1.17%
Arlington Memorial Hospital	1,600	0.92%
Harris Methodist Health Plan	1,400	0.80%
National Semiconductor	1,300	0.74%
Siemens Electrocom	1,137	0.65%
Hughes Training	1,050	0.60%
Texas Rangers Baseball	950	0.54%
Bank One	850	0.49%
Columbia Medical Center	850	0.49%
	28,212	16.15%

CITY OF ARLINGTON, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM,
Last Ten Fiscal Years

	Fiscal Year				
Function/Program	1998	1999	2000	2001	2002
Strategic Support					
Management Resources	16	16	15	3	3
General services fund	14	15	14	14	14
City attorney's office	30	30	31	30	30
City manager's office	12	12	13	12	11
Auditor's office	4	4	4	5	5
Workforce Services	128	128	125	125	135
Judiciary	-	-	-	-	-
Municipal court	3	3	3	4	4
Information technology	56	56	61	48	48
Technology services fund	-	-	-	13	14
Finance	57	60	61	77	70
Economic Development					
Economic development	-	-	-	-	-
Community Development and Planning	21	21	21	55	55
Aviation	-	-	-	-	-
Convention center	33	33	39	35	35
Neighborhood Services					
Police	572	590	629	653	714
Fire	306	301	301	302	301
Community services	97	97	100	71	72
Park and recreation	116	127	128	133	138
Park performance fund	56	71	76	76	72
Library	59	61	66	66	66
Capital Investment					
Public works	-	-	-	-	-
Street maintenance fund	-	-	-	-	80
Environmental services	-	-	-	-	-
Fleet services fund	22	22	24	24	24
Water and sewer fund	214	227	226	230	227
Grant funds	100	105	83	76	105
Support services	31	34	39	39	36
Sanitary landfill fund	26	26	27	27	26
Transportation	119	122	124	128	72
Engineering services	74	74	80	79	79
Total	2,166	2,235	2,290	2,325	2,436

Source: City of Arlington Financial Services Department

Note:

- Management Resources = Knowledge Management, Office of Communication, Office of Management and Budget, Executive and Legislative Support (which includes City Secretary's Office)

- Risk Management is part of Workforces Services

- Management Resources, Municipal Court, Public Works, Environmental Services, Aviation, Community Development and Planning, and Economic Development are the result of restructuring City services

- Fire umbrellas communication services (101 FTEs)

- Aviation, and Economic Development are new departments as of 2007

- Street maintenance, Park performance, Technology services, General services, Fleet services, and Grant are estimated positions for FY07 provided by Budget department

Table 15

Fiscal Year				
2003	2004	2005	2006	2007
-	-	23	31	42
14	12	12	13	10
28	29	33	33	37
29	28	9	4	6
-	-	-	6	6
121	119	119	19	23
-	-	-	-	5
4	4	4	4	46
40	38	38	38	34
15	15	15	15	20
69	67	78	30	31
-	-	-	-	3
54	52	53	56	69
-	-	-	-	8
35	33	33	32	31
706	746	745	745	768
304	302	302	302	407
69	66	67	74	72
137	132	132	125	130
67	66	66	66	61
71	68	64	64	71
-	118	114	112	125
67	76	75	71	62
-	-	-	-	10
24	3	3	2	2
225	223	223	219	219
104	77	77	79	85
30	28	31	170	-
26	26	26	-	-
68	-	-	-	-
73	-	-	-	-
2,380	2,328	2,342	2,310	2,383

CITY OF ARLINGTON, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM,
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
Function/Program	1998	1999	2000	2001	2002
Public safety					
Police					
Number of employees	583	613	653	659	718
Number of dispatch calls	134,667	140,504	156,337	157,291	158,229
Fire					
Number of employees	300	301	302	301	297
Number of service calls	21,458	22,320	27,925	28,803	28,924
Miles of streets and alleys					
Street - paved (lane miles)	1,824	1,837	1,852	1,907	1,959
Sidewalks (miles)	371	377	384	390	407
Parks and recreational					
Parks - programs registration Membership	N/R	N/R	N/R	N/R	N/R
Library					
Central library	1	1	1	1	1
Branch libraries	4	4	4	4	4
Book stock	351,396	367,038	444,565	388,126	486,176
Average monthly circulation	122,623	122,949	117,973	121,601	128,639
Water and sewer					
Number of accounts	87,629	89,905	92,378	94,867	96,974
Average daily water consumption (gallons)	53,174,896	51,159,014	56,676,767	59,681,000	52,169,473
Ozonated treatement capacity (gpd)	115,000,000	137,000,000	137,000,000	170,000,000	174,110,000
Miles of water mains	1,339	1,353	1,372	1,392	1,414
Number of fire hydrants	8,423	8,648	8,584	8,253	8,091
Number of sewer connections	82,454	84,463	86,746	89,042	90,198
Golf Course					
Number of clinics	N/R	N/R	17	19	38
Number of participants in clinics	N/R	N/R	209	315	515
Number of private lessons	N/R	N/R	228	2,002	2,401

Source: City of Arlington Financial Services Department

Notes: N/R - not reported
2004-2007 Police employment represents full-time sworn officers

Table 16

Fiscal Year				
2003	2004	2005	2006	2007
726	524	534	558	582
150,352	142,154	146,891	146,408	147,668
296	296	301	394	407
26,381	28,734	27,788	48,468	30,665
1,991	2,029	2,477	2,939	2,969
419	425	908	974	981
N/R	31,355	36,407	20,573	38,366
	48,274	34,763	41,031	41,205
1	1	1	1	1
5	5	5	5	5
515,113	507,891	522,703	579,445	598,869
125,512	131,244	131,738	134,710	139,909
94,279	101,057	102,421	97,299	98,195
56,364,260	51,550,000	53,550,000	65,019,372	47,582,642
174,000,000	174,000,000	174,000,000	140,000,000	140,000,000
1,428	1,350	1,358	1,378	1,378
9,233	9,992	10,195	10,325	10,493
91,774	94,052	95,479	95,124	96,210
13	24	3	104	127
241	338	44	438	646
2,037	2,639	984	2,071	1,770

CITY OF ARLINGTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)

	Fiscal Year				
Function/Program	1998	1999	2000	2001	2002
Public safety					
Police stations	2	2	2	2	2
Fire stations	16	16	16	16	16
Miles of streets and alleys					
Streets- paved (lane miles)	1,824	1,837	1,852	1,907	1,959
Sidewalks (miles)	371	377	384	390	407
Cultural and recreational					
Parks (acres) (golf courses included)	3,420	3,420	3,888	4,226	4,180
Swimming pools	6	6	5	5	6
Tennis courts	40	40	41	41	49
Recreation centers	4	5	5	5	5
Senior center	-	-	-	-	-
Miles of park trails	31	31	33	35	33
Sports fields-youth	74	74	80	80	122
Basketball courts-outdoors	28	28	29	29	29
Number of golf courses	4	4	4	4	4
Water and Sewer					
Water mains (miles)	1,339	1,353	1,372	1,392	1,414
Fire hydrants	8,423	8,648	8,584	8,253	8,091
Sanitary sewers (miles)	1,094	1,108	1,123	1,145	1,163

Source: City of Arlington Financial Services Department

Table 17

Fiscal Year				
2003	2004	2005	2006	2007
3	3	3	3	3
16	16	16	16	16
1,991	2,029	2,477	2,939	2,969
419	425	908	974	981
4,529	4,529	4,652	4,652	4,663
6	5	7	6	7
48	49	49	49	49
5	5	5	5	5
-	-	2	2	2
43	43	45	40	43
73	54	54	77	77
24	24	24	22	22
4	4	4	4	4
1,428	1,350	1,358	1,378	1,389
9,233	9,992	10,195	10,325	10,493
1,176	1,181	1,186	1,194	1,194

CITY OF ARLINGTON, TEXAS
TEXAS MUNICIPAL RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS AND CONTRIBUTION RATES
Last Ten Fiscal Years
(In Thousands)
(Unaudited)

Table 18

Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1/2)	(4) Unfunded Actuarial Accrued Liability	(5) Annual Covered Payroll	(6) UAAL as a Percentage of ACP (4/5)	(7) Total TMRS Required Contribution Rate	(8) Prior Service Portion of the TMRS Rate
1998	$204,494	$268,594	76.1%	$ 64,100	$84,710	75.7%	14.12%	3.70%
1999	225,979	281,087	80.4%	55,108	85,830	64.2%	13.82%	3.70%
2000	252,879	312,412	80.9%	59,533	92,137	64.6%	12.73%	3.12%
2001	267,933	333,403	80.4%	65,469	100,657	65.0%	12.80%	3.14%
2002	290,670	363,021	80.1%	72,351	110,577	65.4%	12.75%	3.17%
2003	316,095	397,483	79.5%	81,388	110,722	73.5%	12.67%	3.18%
2004	336,817	433,336	77.7%	96,519	109,451	88.2%	13.22%	3.59%
2005	342,453	444,422	77.1%	101,969	115,074	88.6%	14.24%	4.32%
2006	334,823	447,440	74.8%	112,617	113,822	98.9%	14.18%	4.34%
2007	342,766	466,521	73.5%	123,755	128,574	96.3%	14.55%	4.85%

Source: City of Arlington Financial Services Department